



MICROWARE GROUP LIMITED

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1985



GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



IMPORTANT

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



Microware Group Limited

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 60,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of International Placing Shares	: 54,000,000 Shares (subject to adjustment and the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares	: 6,000,000 Shares (subject to adjustment)
Offer Price	: Not more than HK\$1.46 per Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1985

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.



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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about Wednesday, 1 March 2017 and, in any event, not later than Tuesday, 7 March 2017. The Offer Price will be not more than HK\$1.46 per Offer Share and is currently expected to be not less than HK\$1.20 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.46 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$1.46 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in The Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Tuesday, 7 March 2017 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus.

Prospective investors of the Offer Shares should note that the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the right, in their sole and absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements upon the occurrence of any of the events set out in the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus, at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements in accordance with their terms, the Global Offering will not become unconditional and will lapse immediately.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to qualified institutional buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

24 February 2017

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.microware.com.hk).

2017

- Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Wednesday, 1 March
- Application lists open⁽³⁾ 11:45 a.m. on Wednesday, 1 March
- Latest time to lodge **WHITE** and **YELLOW** Application
Forms and to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 1 March
- Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking
transfer(s) or PPS payment transfer(s)⁽²⁾ 12:00 noon on Wednesday, 1 March
- Application lists close⁽³⁾ 12:00 noon on Wednesday, 1 March
- Latest time for giving **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 1 March
- Expected Price Determination Date⁽⁵⁾ Wednesday, 1 March
- (a) Announcement of the final Offer Price, the indication
of level of interest in the International Placing,
the results of applications in the Hong Kong Public
Offering and the basis of allocation under the
Hong Kong Public Offering to be published (i) in
The Standard (in English) and
Sing Tao Daily (in Chinese); (ii) on
the website of our Company at www.microware.com.hk;
and (iii) on the website of the Stock Exchange at
www.hkexnews.hk on or before⁽⁶⁾ Tuesday, 7 March
- (b) Results of allocations in the Hong Kong Public Offering
(with successful applicants' identification document
numbers, where appropriate) to be available through
a variety of channels as described in the section headed
"How to apply for the Hong Kong Offer
Shares — 11. Publication of results" in this prospectus from Tuesday, 7 March

EXPECTED TIMETABLE⁽¹⁾

- (c) A full announcement of the Hong Kong Public Offering containing (a) and (b) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.microware.com.hk⁽⁷⁾ Tuesday, 7 March

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on. Tuesday, 7 March

Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or about⁽⁸⁾ Tuesday, 7 March

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or about⁽⁹⁾ Tuesday, 7 March

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 8 March

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 1 March 2017, the application lists will not open and close on that day. Please refer to the section headed "How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Wednesday, 1 March 2017, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Wednesday, 1 March 2017 and in any event, not later than Tuesday, 7 March 2017. If, for any reason, the final Offer Price is not agreed by 12:00 noon on Tuesday, 7 March 2017 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.
6. The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the website of the Stock Exchange at www.hkexnews.hk.
7. None of the information contained on any website forms part of this prospectus.
8. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 March 2017 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation 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, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
9. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

Share certificates are expected to be issued on Tuesday, 7 March 2017 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements 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 share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has 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 Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	i
TABLE OF CONTENTS	iv
SUMMARY	1
DEFINITIONS	15
GLOSSARY OF TECHNICAL TERMS	26
RISK FACTORS	27
FORWARD-LOOKING STATEMENTS	40
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	42
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	46
CORPORATE INFORMATION	53
WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES	55
INDUSTRY OVERVIEW	56
REGULATORY OVERVIEW	66
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	71
BUSINESS	82

TABLE OF CONTENTS

	<i>Page</i>
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	127
CONNECTED TRANSACTIONS	133
DIRECTORS AND SENIOR MANAGEMENT	137
SUBSTANTIAL SHAREHOLDERS	147
SHARE CAPITAL	148
FINANCIAL INFORMATION	151
FUTURE PLANS AND USE OF PROCEEDS	205
UNDERWRITING	215
STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING	226
HOW TO APPLY FOR THE HONG KONG OFFER SHARES	234
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 COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES 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 of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.

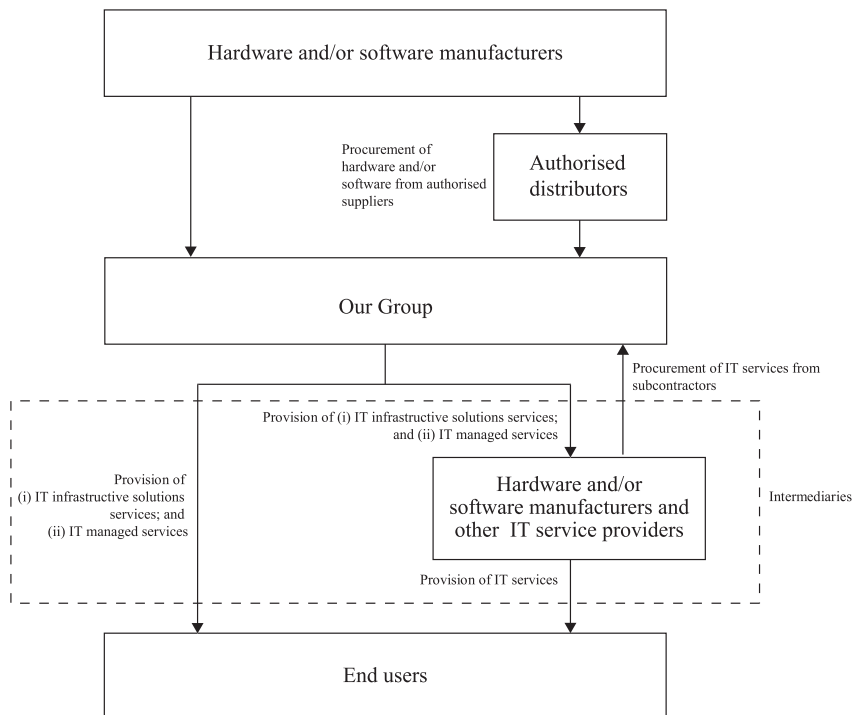
There are risks associated with any investment. Some of the particular risks in investing in the Offer Share are summarised in the section headed “Risk factors” in this prospectus. You should read such section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OVERVIEW

We are a Hong Kong based IT infrastructure solutions provider with an operating history tracing back to the time when our major operating subsidiary, Microware Ltd., became wholly owned by Mr. Yang and Mr. Yang Shun Long, the younger brother of Mr. Yang, in 1991. After years of business development, including the sale of our business of wholesale distribution of computer-related products to an Independent Third Party in 1998, the following services were offered to our clients during the Track Record Period:

- IT infrastructure solutions services — we advise our clients on their IT systems and deliver and/or install and implement IT infrastructure solutions with the hardware and software procured from a number of manufacturers or authorised distributors for our clients; and
- IT managed services — we maintain and/or support our clients’ IT systems.



SUMMARY

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin from each category of our services during the Track Record Period:

	For the year ended 31 March									For the five months ended 31 August					
	2014			2015			2016			2015			2016		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
IT infrastructure solutions services	994,945	101,415	10.2	963,649	104,515	10.8	963,359	100,569	10.4	376,517	39,304	10.4	395,205	41,023	10.4
IT managed services	87,142	18,225	20.9	100,503	19,443	19.3	112,132	24,927	22.2	36,867	8,374	22.7	41,630	10,865	26.1
Total:	1,082,087	119,640	11.1	1,064,152	123,958	11.6	1,075,491	125,496	11.7	413,384	47,678	11.5	436,835	51,888	11.9

The following table sets forth the summary of contracts undertaken by our Group during the Track Record Period:

	For the year ended 31 March									For the five months ended 31 August		
	2014			2015			2016			2016		
	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised
Number of clients	Over 2,500			Over 2,400			Over 2,200			Over 1,800		
Number of completed contracts (Note 1)	Over 32,000			Over 30,000			Over 26,000			Over 10,000		
	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000
Contract sum of HK\$10,000,000 or above	3	77,768	23,941	8	225,439	53,284	12	268,872	95,233	6	199,565	44,720
Contract sum below HK\$10,000,000 but at or above HK\$1,000,000	189	395,165	261,978	175	360,940	254,682	186	412,143	282,740	86	207,118	119,151
Contract sum below HK\$1,000,000 but at or above HK\$100,000	1,876	530,963	446,957	1,833	518,677	435,148	1,738	494,149	414,418	788	226,216	162,343
Contract sum below HK\$100,000 but at or above HK\$10,000	10,322	313,692	281,583	9,609	292,105	259,768	8,706	259,227	230,127	4,109	122,400	88,942
Contract sum below HK\$10,000	26,185	78,204	67,628	24,213	72,075	61,270	21,464	63,638	52,973	11,617	32,534	21,679
Total	38,575	1,395,792	1,082,087	35,838	1,469,236	1,064,152	32,106	1,498,029	1,075,491	16,606	787,833	436,835

Notes:

- For each of the three years ended 31 March 2016, over 80% of our revenue was contributed by the contracts completed in the respective financial years. For the five months ended 31 August 2016, over 70% of our revenue was contributed by the contracts completed in the financial period.
- The number of contracts undertaken refers to the number of contracts which generated revenue recognised by our Group during the relevant financial year/period.

Having considered the benefits of undertaking large-scale contracts, such as the enhancement of public awareness and the likely credit worthiness of the clients of such contracts, it has been part of our business strategy during the Track Record Period to undertake more large-scale contracts. The number of contracts undertaken which have a contract sum of HK\$10 million or above increased from three during the year ended 31 March 2014 to 12 during the year ended 31 March 2016. The percentage of revenue attributable to the contracts with a contract sum of HK\$10 million or above amounted to approximately 2.2%, 5.0%, 8.9% and 10.2% of our total revenue for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

SUMMARY

We mainly operated in Hong Kong during the Track Record Period, with less than 1% of our revenue being generated in Macau for each of the three years ended 31 March 2016 and the five months ended 31 August 2016. Our Macau operating subsidiary, Microware Macau, was de-registered in December 2015 and we had ceased all operation in Macau as at the Latest Practicable Date.

During the Track Record Period, we mainly acted as a main contractor in providing our services directly to end users. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, less than 4% of our revenue was generated through contracts of which we were engaged as a subcontractor providing services to intermediaries.

After identifying a potential client and understanding its needs and requests, we will commence preparation of a pitching proposal and assess the availability of our own resources and the cost of procuring the necessary hardware and software and services from suppliers and subcontractors. Our service fee is thus generally determined based on a cost-plus basis. The contract fee for our IT infrastructure solutions service contracts is generally a fixed fee, payable at a lump sum or according to the payment schedules. The contract fee for our IT managed services is generally a fixed fee, payable at an annual lump sum or on a quarterly basis. After obtaining approval from the potential client, we arrange the entering into of the contract and commence execution work. The IT infrastructure solution is released to the client after passing a user acceptance test and nursing period. If we are engaged for IT managed services, we will respond to our client's request for help on particular IT issues or even manage the overall IT system for our client.

Our contracts are identified mainly through (i) tendering; (ii) pitching activities; and (iii) referrals. We generally identify tender invitations from the website of the Hong Kong Government, tender invitation letters or email notifications of IT open tenders from our potential clients. Our sales team also carry out pitching activities by presenting our corporate portfolio to potential clients. We receive request for proposal letters or referrals from previous clients, existing clients and other third parties from different industries.

The following table sets forth a breakdown of our revenue attributable to contracts obtained through tendering, Standing Offer Agreements and other channels during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tendering	123,771	11.4	149,000	14.0	209,607	19.5	80,019	18.3
Standing Offer Agreements (Note 1)	218,096	20.2	173,504	16.3	173,246	16.1	32,522	7.4
Others (Note 2)	740,220	68.4	741,648	69.7	692,638	64.4	324,294	74.3
Total:	<u>1,082,087</u>	<u>100.0</u>	<u>1,064,152</u>	<u>100.0</u>	<u>1,075,491</u>	<u>100.0</u>	<u>436,835</u>	<u>100.0</u>

SUMMARY

Notes:

1. As one of the approved contractors of the Hong Kong Government under the Standing Offer Agreements, we have been invited to provide quotations to various departments and bureaus of the Hong Kong Government for their individual IT assignments. For details, please refer to the section headed “Business — Sales and marketing — Tendering”.
2. Others include the revenue attributable to contracts obtained through pitching activities and/or referrals.

Throughout and after the Track Record Period, there had not been, nor do we expect there to be, any change in the business focus of our Group.

COMPETITIVE LANDSCAPE

According to the Ipsos Report, we ranked first among the IT infrastructure solutions providers in terms of revenue in Hong Kong in the financial year 2015, which represented approximately a 3.1% share of the total industry revenue. We face competition in the highly segmented IT infrastructure solutions industry in Hong Kong mainly on (i) the maintenance of good customer relationships; (ii) the maintenance of reputation in the market; and (iii) the availability of human resources. With the available resources after the Listing, our Directors plan to leverage on the anticipated increasing trend for the integration of Internet technologies with manufacturing and business operations, increasing popularity of cloud computing and continual support for the IT infrastructure solutions industry by the Hong Kong Government to strengthen our market position.

For details of the competitive landscape of the industry, please refer to the section headed “Industry overview” on page 56 to page 65 of this prospectus.

COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

- wide and stable customer base in terms of number and type of recurring clients;
- proven track record in providing customised one-stop services to clients;
- well-established relationships with well-known hardware and/or software manufacturers;
- leading market position in terms of revenue in Hong Kong and long term presence in the IT infrastructure solutions industry; and
- experienced management team, qualified employees and strong talent pool for public sector projects.

For details, please refer to the section headed “Business — Competitive strengths” on page 85 to page 88 of this prospectus.

SUMMARY

BUSINESS STRATEGIES

To leverage on the future trends of the IT infrastructure solutions industry and continue with our current business strategy of undertaking large-scale contracts, we intend to implement the following business strategies:

- recruitment and training of employees;
- enhancing of our capability to undertake large-scale contracts;
- strengthening our marketing efforts; and
- upgrading of our IT management systems.

For details, please refer to the section headed “Business — Business strategies” on page 88 to page 90 of this prospectus.

CLIENTS

During the Track Record Period, we had clients from both the public sector and private sector. The public sector included the Hong Kong Government and clients from public bodies, educational institutions and non-profit organisations, while the private sector included commercial clients, such as those from the banking and finance sector, telecommunications and media sector, transportation sector and IT sector.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, the revenue attributable to our private sector projects was approximately HK\$613.6 million, HK\$616.9 million, HK\$602.0 million and HK\$278.3 million, respectively. The revenue attributable to our public sector projects for the same periods was approximately HK\$468.5 million, HK\$447.2 million, HK\$473.5 million and HK\$158.5 million, respectively. According to the Ipsos Report, in the IT infrastructure solutions industry in Hong Kong, it is observed that the gross profit margins for private sector projects are generally higher than the gross profit margins for public sector projects, assuming a similar scope of service is provided and similar types of products are procured for the clients. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our five largest clients accounted for less than 30% of our total revenue.

For details, please refer to the section headed “Business — Clients” on page 105 to page 109 of this prospectus.

SUPPLIERS AND SUBCONTRACTORS

As at the Latest Practicable Date, we were the authorised reseller of over 30 hardware and/or software manufacturers. In addition to hardware and/or software manufacturers, during the Track Record Period, our suppliers also included authorised distributors and other IT service providers. We would also engage subcontractors for (i) certain labour-intensive work with low skill requirement; and (ii) certain installation, implementation and maintenance and support work when particular type of qualifications, skills, resources or equipment are involved.

SUMMARY

Under certain incentive programmes implemented by our manufacturers and authorised distributors, our cost of procuring hardware and software may be reduced by the cash incentive recognised from them. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, we recognised cash incentives from the hardware and/or software manufacturers and authorised distributors under our resellership programmes of approximately HK\$13.5 million, HK\$15.9 million, HK\$18.3 million and HK\$7.4 million, respectively, representing approximately 11.3%, 12.8%, 14.6% and 14.3% of our gross profits during the Track Record Period.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our five largest suppliers accounted for less than 70% of our cost of sales.

For details of the resellership programmes, subcontracting arrangement and other information on our suppliers, please refer to the section headed “Business — Suppliers” on page 109 to page 115 of this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth the consolidated financial information of our Group for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 and should be read in conjunction with the financial information included in the Accountants’ Report as set out in Appendix I to this prospectus:

Summary of consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position

	For the year ended 31 March			For the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(unaudited)	
Revenue	1,082,087	1,064,152	1,075,491	413,384	436,835
Cost of sales	(962,447)	(940,194)	(949,995)	(365,706)	(384,947)
Gross profit	119,640	123,958	125,496	47,678	51,888
Profit before taxation	42,000	41,252	38,258	13,404	8,281
Profit and total comprehensive income for the year/period	<u>34,973</u>	<u>33,973</u>	<u>31,203</u>	<u>10,857</u>	<u>5,466</u>
			<u>As at 31 March</u>		<u>As at 31 August</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>
Current assets		377,566	399,683	340,632	297,560
Current liabilities		220,890	244,982	235,982	188,031
Net current assets		<u>156,676</u>	<u>154,701</u>	<u>104,650</u>	<u>109,529</u>

SUMMARY

A higher revenue for the year ended 31 March 2014 was recorded mainly as a result of IT infrastructure solutions services. The termination of support on one of the operating systems of an American multinational IT group which is well-known for its operating systems in April 2014 has led to the rise in demand for new computers to support the specifications of the new operating system in the year ended 31 March 2014. Our revenue increased for the year ended 31 March 2016 mainly as a result of the IT managed services, which was driven by the increase in the revenue from our hardware and system maintenance and support services due to the product maintenance policy change of two manufacturers in first half of 2013 and 2014. The policy change had triggered an increase in demand for our hardware and system maintenance support services.

For IT infrastructure solutions services, our cost of sales comprised cost of hardware and software, direct staff costs, and subcontracting fee. During the Track Record Period, cost of hardware and software accounted for approximately 98.7%, 98.4%, 98.4%, and 97.9% of our cost of sales for IT infrastructure solutions services, respectively.

For IT managed services, our cost of sales comprised direct staff costs, subcontracting fee, and cost of hardware. During the Track Record Period, direct staff costs accounted for approximately 51.5%, 44.7%, 36.6% and 45.5% of our cost of sales for IT managed services, respectively, while subcontracting fee accounted for approximately 35.2%, 45.5%, 54.7% and 44.2% of our cost of sales for IT managed services, respectively.

Our gross profit increased for the year ended 31 March 2015 due to the increase in gross profit for both IT infrastructure solutions services and IT managed services. Our gross profit further increased for the year ended 31 March 2016 mainly due to the increase in gross profit for IT managed services.

We incurred listing expenses of approximately HK\$2.4 million and HK\$9.2 million for the year ended 31 March 2016 and the five months ended 31 August 2016, respectively. If the listing expenses were excluded, our net profit for the year ended 31 March 2016 and the five months ended 31 August 2016 would be approximately HK\$33.6 million and HK\$14.7 million, respectively.

Our net current assets decreased during the Track Record Period mainly because of the dividends of HK\$84.0 million declared, of which HK\$33.8 million was settled-off with the amount due from related parties during the year ended 31 March 2016. The remaining balance had been fully settled by cash before 31 March 2016.

For details, please refer to the sections headed “Financial information — Review of historical operating results” on page 169 to page 177 of this prospectus and “Financial information — Net current assets and selected items of consolidated statements of financial position” on page 177 to page 189 of this prospectus, respectively.

SUMMARY

Operating cash flow

The following table sets forth a summary of our consolidated statements of cash flows during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from (used in) operating activities	66,430	47,935	(16,356)	(51,737)	(64,959)
Net cash (used in) from investing activities	(109,058)	(19,577)	70,079	27,623	15
Net cash used in financing activities	(6,303)	(9,343)	(50,175)	—	—
Cash and cash equivalents at end of the year/period	85,474	104,489	108,037	80,375	43,093

For the year ended 31 March 2016, we had net cash used in operating activities of approximately HK\$16.4 million instead of net cash generated from operating activities for the years ended 31 March 2014 and 2015. This was mainly attributable to (i) the increase in inventories of approximately HK\$28.2 million as a result of one new IT infrastructure solutions service contract with the contract sum of approximately HK\$12.4 million awarded to us during the year ended 31 March 2016 and two IT infrastructure solutions service contracts with the aggregate contract sum of approximately HK\$72.1 million awarded to us during the year ended 31 March 2015, which required approximately HK\$19.9 million of inventories be held as at 31 March 2016; and (ii) the increase in trade and other receivables, prepayments and deposits of approximately HK\$21.5 million. In addition, we recorded a net cash used by operating activities of approximately HK\$65.0 million for the five months ended 31 August 2016, which was primarily due to (i) the decrease in trade and other payables and accruals of approximately HK\$49.7 million as we have settled a majority of the balances due to three of our major suppliers on or before 31 August 2016 and the balance of trade payable was therefore significantly lowered; (ii) the increase in trade and other receivables, prepayments and deposits of approximately HK\$48.2 million which was primarily due to a larger amount payable by certain of our five largest clients as at 31 August 2016; and partially offset by (iii) the decrease in inventories of approximately HK\$29.0 million mainly as a result of subsequent delivery of the above mentioned inventories as at 31 March 2016.

Our net cash flow from investing activities improved from a net cash used in investing activities of approximately HK\$109.1 million for the year ended 31 March 2014 to a net cash from investing activities of approximately HK\$70.1 million for the year ended 31 March 2016. This was mainly due to (i) the net cash advanced to related parties in each of the two years ended 31 March 2015 and net cash repayment from related parties in the year ended 31 March 2016; and (ii) the decrease of our investment in structured deposits since the year ended 31 March 2015.

SUMMARY

For details, please refer to the section headed “Financial information — Liquidity and capital resources — Cash flows” on page 189 to page 193 of this prospectus.

Key financial ratios

The following table sets forth some key financial ratios of our Group for the years indicated:

	As at/for the year ended 31 March			As at/ for the five months ended 31 August
	2014	2015	2016	2016
Current ratio	1.7 times	1.6 times	1.4 times	1.6 times
Gearing ratio (<i>Note</i>)	N/A	N/A	N/A	N/A
Interest coverage	1,167.7 times	N/A	N/A	N/A
Return on assets	9.0%	8.4%	9.0%	4.4%
Return on equity	25.1%	26.9%	30.0%	12.0%
Net profit margin	3.2%	3.2%	2.9%	1.3%

Note: Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%. As our Group did not have any interest-bearing liabilities as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, the gearing ratio is not applicable.

For details, please refer to the section headed “Financial information — Summary of key financial ratios” on page 197 to page 198 of this prospectus.

OUR REASONS FOR LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing will allow us to:

- generate employee incentive and commitment — the Listing is considered to be one of the channels through which our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group;
- gain higher profile and visibility and strengthen our competitiveness — the Listing status would enhance our level of competitiveness among our competitors, which may in turn lead to the establishment and strengthening of business relationships with new and existing clients, expansion of market share and attraction of strategic investors to our Group; and
- create a long-term fund raising platform — the Listing will provide us with opportunities to raise funds through secondary fund raising exercises after the Listing.

We expect to receive net proceeds of approximately HK\$51.8 million from the Global Offering (after deducting underwriting fees and estimated fees payable by us in connection with the Global Offering, based on an Offer Price of HK\$1.33 per Offer Share, being the mid-point of the indicative Offer Price range, and assuming that the Offer Size Adjustment Option is not exercised). Our Directors believe that the net proceeds from the Listing will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set

SUMMARY

out below. We intend to apply the aforesaid net proceeds in the following manner in the period commencing from the Latest Practicable Date and ending on 31 March 2017 and the years ending 31 March 2018, 31 March 2019 and 31 March 2020:

- approximately HK\$18.1 million, representing approximately 35% of the net proceeds from the Global Offering, will be used for upgrading our IT management systems;
- approximately HK\$12.9 million, representing approximately 25% of the net proceeds from the Global Offering, will be used for enhancing our capability to undertake large-scale contracts by financing performance securities;
- approximately HK\$10.4 million, representing approximately 20% of the net proceeds from the Global Offering, will be used for recruitment and training of employees;
- approximately HK\$5.2 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for strengthening our marketing efforts; and
- the remaining balance of approximately HK\$5.2 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

For details, please refer to the sections headed “Business — Business strategies” on page 88 to page 89 of this prospectus and “Future plans and use of proceeds” on page 205 to page 214 of this prospectus, respectively.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK\$1.33 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including the underwriting commission), which are non-recurrent in nature, are estimated to be approximately HK\$28.0 million.

Of such amount to be borne by us, approximately HK\$8.3 million of our estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$19.7 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK\$2.4 million and HK\$9.2 million were recognised for the year ended 31 March 2016 and the five months ended 31 August 2016, respectively (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately HK\$8.1 million is expected to be charged prior to or upon the Listing (according to our current estimation).

SUMMARY

DIVIDENDS POLICY

For each of the three years ended 31 March 2016, our Group declared dividends of HK\$36.0 million, HK\$48.0 million and HK\$84.0 million, respectively, from our Group's internal resources. All such dividends had been fully settled before 31 March 2016. No dividend was declared by our Group in respect of the five months ended 31 August 2016.

Considering our current financial position, our Directors currently intend, following the Listing, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders no less than 40% of our profits available for distribution. However, the Board has absolute discretion to declare any dividend for any year, and if it decides to declare a dividend, determine the amount of dividends to be declared. The amount of any dividend to be declared or paid will depend on, amongst other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

OUR LATEST DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 August 2016. Since 31 August 2016 and up to the Latest Practicable Date, we had completed over 4,950 contracts with a total contract sum of approximately HK\$301.4 million out of our ongoing contracts as at 31 August 2016 and we had entered into over 11,800 new contracts with a total contract sum of approximately HK\$498.2 million.

As at the Latest Practicable Date, we had over 6,900 contracts in our backlog (including ongoing contracts and awarded contracts that have yet to commence) with a total contract sum of approximately HK\$418.4 million. Among these contracts, revenue of approximately HK\$47.4 million has been recognised for the year ended 31 March 2016 and approximately HK\$237.0 million is expected to be recognised for the year ending 31 March 2017, respectively.

We currently expect that our financial results for the year ending 31 March 2017 will be negatively impacted by the non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. For further details regarding our listing expenses, please refer to the paragraph headed "Listing expenses" in this section and the section headed "Financial information — Listing expenses" on page 202 to page 203 of this prospectus.

Prospective investors should note that our financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for the year ending 31 March 2017 and may be subject to adjustments based on the audit.

Save as disclosed in "Our latest development and no material adverse change" and "Listing expenses" in this section, our Directors confirm that, since 31 August 2016 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

SUMMARY

CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Yang and Microware International (which is wholly owned by Mr. Yang). Immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and without taking into account the Shares that may be allotted and issued upon exercise of options to be granted under the Share Option Scheme), Mr. Yang and Microware International, will be entitled to exercise and control in aggregate approximately 64.9% of the entire issued share capital of our Company.

Apart from our business relating to the provision of IT infrastructure solutions services and IT managed services in Hong Kong, our Controlling Shareholders and their close associates are currently investing in other business such as property investment business and such excluded business will not form part of our Group after Listing. None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business.

As at the Latest Practicable Date, the office tenancy agreement entered into between our Group and Microware Properties (which is wholly owned by Microware International) and the residential tenancy agreement (including a car parking space) (as part of the directors' emoluments of Mr. Chu) entered into between our Group and Mr. Yang constituted continuing connected transactions for our Company under the Listing Rules after Listing. Since the entering into of the above tenancy agreements (for office tenancy agreement and the residential tenancy agreement (including a car parking space) on an aggregated basis and for the office tenancy agreement on a standalone basis) constitutes non-exempt continuing connected transactions under the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the reporting, annual review, announcement and (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the section headed "Relationship with our Controlling Shareholders" on page 127 to page 132 of this prospectus and "Connected transactions" on page 133 to page 136 of this prospectus, respectively.

OFFERING STATISTICS

Number of Offer Shares	:	60,000,000 Shares (subject to the Offer Size Adjustment Option)
Offer Size Adjustment Option	:	Up to an aggregate of 9,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares
Offering structure	:	Hong Kong Public Offering: 6,000,000 Hong Kong Offer Shares, representing 10% of the Offer Shares (subject to adjustment)

SUMMARY

International Placing: 54,000,000 International Placing Shares, representing 90% of the initial number of Offer Shares (subject to adjustment and the Offer Size Adjustment Option)

Offer Price range : HK\$1.20 to HK\$1.46 per Offer Share

Board lot : 2,000 Shares

	Based on the minimum indicative Offer Price of HK\$1.20 per Offer Share	Based on the maximum indicative Offer Price of HK\$1.46 per Offer Share
Market capitalisation (<i>assuming the Offer Size Adjustment Option is not exercised and taking no account of any Shares to be issued upon the exercise of options under the Share Option Scheme</i>)	HK\$360.0 million	HK\$438.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share	HK\$0.55	HK\$0.60

Note: Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details regarding the assumptions and the calculation method used.

NON-COMPLIANCE INCIDENT

During the Track Record Period, the office usage of our Hong Kong headquarters was not in compliance with the permitted usage under the government lease, the deed of mutual covenant of the building and the Buildings Ordinance. As at the Latest Practicable Date, the Lands Department had granted a temporary waiver for our current usage to the landlord of our Hong Kong headquarters and the non-compliance had been rectified. Our Directors consider that such non-compliance incident will not have any material operational or financial impact on us. For details, please refer to the section headed “Business — Legal proceedings and compliance — Non-compliance with government lease, the deed of mutual covenant and the Buildings Ordinance” on page 124 to page 125 of this prospectus.

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks: (i) we are dependent upon recruiting and retaining eligible employees. Any shortfall in our workforce or increase in direct staff costs may materially impede our business operations and adversely affect our financial results; (ii) we may encounter cost overruns or delays in our IT infrastructure solutions service contracts, which may materially and adversely affect our business, financial position and results of operation; (iii) our client’s preferences are highly subjective in nature and can substantially deviate from one another, and consequently failure to accommodate our client’s individual preferences may result in client dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future

SUMMARY

contracts or orders; (iv) we may be vicariously liable for the acts or omissions of our employees and face claims or legal actions brought by our clients for damages caused by the negligent conduct or fault of our employees; and (v) leakage or misappropriation of confidential information handled by us or subcontractors could have an adverse effect on our reputation and business operations.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk factors” in this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Global Offering, which may not be consistent with the information contained in this prospectus.

DEFINITIONS

In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.

“Accountants’ Report”	the accountants’ report of our Company prepared by our reporting accountants set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context may require, any of them which is used in relation to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 15 February 2017 and which will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 239,880,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 15 February 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 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”	Microware Group Limited (美高域集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 January 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Yang and Microware International
“Convoy Investment”	Convoy Investment Services Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO), acting as one of the joint lead managers of the Global Offering
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Cumulus”	Cumulus Managed Services Limited (雲端企業資訊管理有限公司) (formerly known as Gemini Technology Solutions Limited), a company incorporated in Hong Kong with limited liability on 1 March 2013 and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 15 February 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries), pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, particulars of which are set out in the section headed “Statutory and general information — D. Other information — 3. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 15 February 2017 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Employee Shareholders”	the 64 employees of our Group who were interested in approximately 76.2% in aggregate of the issued share capital of Microware Investment prior to completion of the Reorganisation
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Government Logistics Department”	Government Logistics Department of the Hong Kong Government
“Gransing Securities”	Gransing Securities Co., Limited, a corporation licensed under the SFO and permitted 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 (as defined in the SFO), acting as one of the joint lead managers of the Global Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting an application online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by us, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Legal Counsel”	Mr. Clay Huen, barrister-at-law in Hong Kong
“Hong Kong Offer Shares”	the 6,000,000 Shares being initially offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure and conditions of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the conditional offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price as described in the section headed “Structure and conditions of the Global Offering” in this prospectus

DEFINITIONS

“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 23 February 2017 relating to the Hong Kong Public Offering and entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Underwriting Agreement” in this prospectus
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rule(s) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Innovax Capital” or “Sole Sponsor”	Innovax Capital Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO), acting as the sole sponsor in relation to the Listing and one of the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters on behalf of our Company, at the Offer Price with professional, institutional and other investors by the International Placing Underwriters on behalf of our Company as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 54,000,000 Offer Shares initially being offered for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option (subject to adjustment and the Offer Size Adjustment Option as described in the section headed “Structure and conditions of the Global Offering” in this prospectus)

DEFINITIONS

“International Placing Underwriters”	the underwriters of the International Placing
“International Placing Underwriting Agreement”	the underwriting agreement in relation to the International Placing and expected to be entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Placing Underwriters on or around the Price Determination Date, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The International Placing” in this prospectus
“Ipsos”	Ipsos Limited, an independent market research company
“Ipsos Report”	a report in respect of the IT infrastructure solutions industry in Hong Kong issued by Ipsos and commissioned by our Company
“IT”	information technology
“Joint Global Coordinators” or “Joint Bookrunners”	Innovax Capital and Sinolink Securities
“Joint Lead Managers”	Innovax Capital, Sinolink Securities, Gransing Securities and Convoy Investment
“Latest Practicable Date”	15 February 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares on Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, adopted on 15 February 2017 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Microware BVI”	Microware Hong Kong Limited, a company incorporated in the BVI with limited liability on 3 February 2016 and a direct wholly-owned subsidiary of our Company
“Microware Computer Systems”	Microware Computer Systems Limited (美高域服務有限公司) (formerly known as Microware Computer Systems Limited), a company incorporated in Hong Kong with limited liability on 18 June 1997 and an indirect wholly-owned subsidiary of our Company
“Microware International”	Microware International Holdings Limited, a company incorporated in the BVI with limited liability on 30 March 2005, which is wholly owned by Mr. Yang, who is also one of the directors of Microware International. Microware International is one of our Controlling Shareholders
“Microware Investment”	Microware Investment Hong Kong Limited, a company incorporated in the BVI with limited liability on 7 March 2006 and was owned as to approximately 3.3% by Mr. Yang, approximately 20.5% by Mr. Chu and approximately 76.2% by the Employee Shareholders immediately prior to completion of the Reorganisation
“Microware Ltd.”	Microware Limited (美高域有限公司) (formerly known as Microware USA Limited, Microware USA Limited (美國MUL電腦系統有限公司) and Microware Limited), a company incorporated in Hong Kong with limited liability on 2 October 1985 and an indirect wholly-owned subsidiary of our Company
“Microware Macau”	Microware (Macau) Limited (美高域(澳門)有限公司), a company incorporated in Macau with limited liability on 4 September 2012, which was owned as to 96% by Microware Ltd. and 4% by Mr. Chu (who held such interest on trust for Microware Ltd.) prior to its deregistration on 31 December 2015

DEFINITIONS

“Microware Properties”	Microware Properties Limited, a company incorporated in Hong Kong with limited liability on 16 April 2005, which is wholly owned by Microware International, and is a connected person of our Company
“Microware USA”	Microware USA Limited, a company incorporated in Hong Kong with limited liability on 9 January 2007, which was directly wholly owned by Microware Ltd. immediately prior to the completion of the Reorganisation
“MOP” or “Macanese Pataca”	Macanese Pataca, the lawful currency of Macau
“Mr. Chu”	Mr. Chu Ming Ho (朱明豪), our executive Director, chairman, chief executive officer and one of our Shareholders
“Mr. Yang”	Mr. Yang Peter Shun Tsing (楊純青), our executive Director and one of our Controlling Shareholders
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Joint Global Coordinators (for themselves and on behalf of the International Placing Underwriters), pursuant to which our Company may be required by the Joint Global Coordinators to allot and issue up to 9,000,000 additional Shares at the Offer Price to cover any over-allocation in the International Placing as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, exclude Hong Kong, Macau and Taiwan
“PRC Government”	the central government of the PRC including all government departments (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them

DEFINITIONS

“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Date”	the date, which is expected to be on or around Wednesday, 1 March 2017 on which the Offer Price is to be fixed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) for the purpose of the Global Offering
“ProAct IT”	ProAct IT Services Limited (formerly known as Proact IT Services Limited and ProAct IT Services Limited (美高域有限公司)), a company incorporated in Hong Kong with limited liability on 7 April 2004 and an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Award Scheme”	the share award scheme established by Mr. Yang, details of which are set forth in the section headed “History, Reorganisation and corporate structure — Share Award Scheme” in this prospectus
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 15 February 2017, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Sinolink Securities”	Sinolink Securities (Hong Kong) Company Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO), acting as one of the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three years ended 31 March 2016 and the five months ended 31 August 2016
“Underwriters”	the Hong Kong Underwriters and the International Placing Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement
“US” or “United States”	United States of America
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be issued in an applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

DEFINITIONS

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, certain amounts denominated in US dollars, Renminbi and Macanese Pataca have been translated into Hong Kong dollar amounts at an exchange rate of US\$1.0 = HK\$7.8, RMB1.0 = HK\$1.18 and MOP1 = HK\$0.97, respectively. No representation is made that any amounts in Hong Kong dollars, US dollars, Renminbi or MOP were or could have been converted at such rate or at any other rates or at all.

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

GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	compound annual growth rate
“GDP”	gross domestic product (all reference to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“hardware”	physical elements that constitute a computer system, such as central processing unit, monitor, mouse, keyboard, hard disk, etc.
“ISO”	International Organization for Standardization, a non-governmental organisation that develops and publishes international standard
“IT infrastructure”	the composite IT systems, network, facilities and related equipment required to serve as the foundation for building an enterprise IT environment
“IT system”	for the purposes of this prospectus, an integrated set of hardware and software components for computing usage
“software”	any set of machine-readable instructions that directs a computer’s processor to perform specific operations
“Standing Offer Agreement(s)”	standing offer agreement(s) entered or to be entered into between the Hong Kong Government and a tenderer whose tender is accepted by the Hong Kong Government in respect of a continuing offer by the Hong Kong Government for the sale and purchase of hardware, software and other related services for various government departments in Hong Kong

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks relating to our Group's business and operations; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Global Offering. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS

We are dependent upon recruiting and retaining eligible employees. Any shortfall in our workforce or increase in direct staff costs may materially impede our business operations and adversely affect our financial results

Our business and success depend heavily on the services provided by our employees, and hence our ability to hire and retain employees with the necessary level of knowledge and qualification. We would also need to recruit additional personnel to achieve our expansion. For details, please refer to the section headed "Business — Business strategies" in this prospectus. However, the supply of eligible employees is fairly limited in the market. We may not be able to retain existing employees or identify and recruit new employees because of the competition for employees. Any significant increase in the turnover rate of our employees, coupled with our inability to recruit eligible employees for replacement expeditiously, may cause a shortfall in our workforce and have a material adverse impact on our business.

Given the keen competition for IT professionals, we were compelled to offer competitive remuneration to our employees to maintain a steady workforce and quality services. As a result, the contribution of direct staff costs to our cost of sales was approximately 4.6%, 4.9%, 4.5% and 4.4% for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. As most of our contracts are fixed-price in nature, if there is an increase in our direct staff costs, our Group may not be able to pass the rising direct staff costs onto our clients. Therefore, our financial results may be adversely affected.

RISK FACTORS

We may encounter cost overruns or delays in our IT infrastructure solutions service contracts, which may materially and adversely affect our business, financial position and results of operation

We generally provide IT infrastructure solutions services on a project basis. Some of the IT infrastructure solutions service contracts are awarded through a competitive tendering process. We have to consider the price, terms of payment and duration of service needed for completing these IT infrastructure solutions service contracts in order to determine the quotations. There is no assurance that the actual time taken and costs incurred would not exceed our estimation. We expect to continue bidding for fixed-price contracts, the terms of which normally require us to complete a contract for a pre-agreed fixed price, increasing the possibility of exposing us to cost overruns and resulting in lower profits or losses in a contract.

The actual time taken and cost incurred by us in completing IT infrastructure solutions service contracts may be affected by many factors, including technical difficulties, integration with third party products, and other unforeseeable problems and circumstances. Due to unforeseeable circumstances not owing to our Group's fault, our clients may terminate our contracts early or cancel part of or the entire purchase orders, resulting in potential cost overruns. Any one of these factors can cause delays in the completion of contract or cost overruns.

Most of our IT infrastructure solutions service contracts are subject to specific completion schedules and some of our clients are entitled to claim liquidated damages from us if we do not meet the schedules. Liquidated damages are typically levied at an agreed rate for each day or part of a day for such delay. Failure to meet the schedule requirements of our contracts may result in a significant number of liquidated damages claims, other contract liabilities and disputes with the clients or even the termination of relevant contracts.

There is no guarantee that we would not encounter cost overruns or delays in our current and future IT infrastructure solutions service contracts. Should such problems occur, our business, financial position and results of operations would be materially and adversely affected.

Our client's preferences are highly subjective in nature and can substantially deviate from one another, and consequently failure to accommodate our client's individual preferences may result in client dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future contracts or orders

The IT infrastructure solutions services that we provide is highly dependent on our client's preferences which are highly subjective in nature. Designs that appeal to some clients may not appeal to others. Preferences and expectations vary from client to client. If we fail to accommodate our client's individual preferences, it may result in client dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future contracts or orders.

RISK FACTORS

We may be vicariously liable for the acts or omissions of our employees and face claims or legal actions brought by our clients for damages caused by the negligent conduct or fault of our employees

Our employees may be required to work at our clients' premises or seconded to work for our clients for a fixed period of time. Despite the fact that our employees may be working under the supervision of our clients, we may still be vicariously liable for their acts or omissions while they carry out their responsibilities entrusted to them by our clients. We may face claims or legal actions brought by our clients for damages caused by the negligent conduct or fault of our employees. In such event, we may need to incur additional costs to settle or defend these claims or legal actions against our business or else our results of operation may be adversely affected.

Leakage or misappropriation of confidential information handled by us or subcontractors could have an adverse effect on our reputation and business operations

During the course of providing our services, we and our subcontractors may have access to and be entrusted with information that is confidential in nature, such as information that relates to clients' systems, operations, raw data or affairs. We presently rely on various means to protect the confidentiality of our clients' information, including our information security policy and the non-disclosure arrangements with our employees and subcontractors. However, there is no assurance that the steps taken by us will successfully prevent any leakage or misappropriation of confidential information of our clients. Any leakage or misappropriation of confidential information of our clients could expose us to the complaints or claims of our clients, which may have a material and adverse effect on our reputation and business operations.

Our contracts are on a project basis which creates uncertainty as to our future revenue streams

Our IT infrastructure solutions services are provided on a project-by-project basis which is not recurrent in nature. Our clients may subsequently engage us for enhancement works or conducting upgrades for the IT infrastructure solutions developed by us in previous contracts. Our clients may also engage us for new IT infrastructure solutions services after the retirement of outdated ones. However, there is no assurance that the clients will continue to provide us with new businesses after completion of our contracts.

After the completion of the IT infrastructure solutions service contracts, we may provide IT managed services to our clients under separate contracts. We cannot guarantee that these IT managed service contracts will be renewed in the future nor can we guarantee that we shall be able to enter into new contracts with our clients.

These contracts, in particular those entered on a project basis, create uncertainty as to our future revenue streams. In the event that we are unable to renew the existing contracts or secure new contracts with clients or that clients substantially reduce their purchase orders, our business and future revenue will likely be adversely affected.

RISK FACTORS

Our results of operation and financial conditions are highly susceptible to changes in the political, economic and social conditions in Hong Kong

Our business operation in Hong Kong is subject to economic, political and social developments in Hong Kong. Unfavourable changes in the political, economic or social environment, such as political instability, may have an adverse impact on economic activity and government administration in Hong Kong. This may in turn affect the demand for our Group's services, resulting in deteriorated financial performance of our Group. In addition, approximately 22.3%, 18.3%, 18.4% and 10.0% of our total revenue were attributable to the Hong Kong Government for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Adverse changes of political, economic and social conditions in Hong Kong may cause delays in the awarding of Hong Kong Government contracts and have a negative impact on future industry growth, which may in turn adversely affect our business, financial condition and results of operation.

Changes in the policies of the Hong Kong Government and/or any adverse change in the economy in Hong Kong may also affect the IT-related policies and funding and/or spending of commercial organisations, thus adversely affecting our operations and financial results.

We may record net cash outflows during the execution of IT infrastructure solutions service contracts and may not have sufficient working capital if we take up too many significant contracts in the future, which may affect our financial position

For the year ended 31 March 2016 and the five months ended 31 August 2016, we recorded significant operating cash outflows of approximately HK\$16.4 million and HK\$65.0 million, respectively, which was primarily attributable to, among others, the effects of increase in trade and other receivables, prepayments and deposits and decrease in trade and other payables and accruals. Please refer to the section headed "Financial Information — Liquidity and capital resources — Cash flows" in this prospectus for details. Net cash outflows may be recorded during the execution of IT infrastructure solutions service contracts if we are required to pay expenditures before the actual receipt of payments from clients. We may be required to place inventory orders prior to receiving any payment from our clients, or our clients may even cancel part of or the entire purchase order and demand refund after we have procured the necessary hardware and software. As long as the payments from our clients are insufficient to cover the costs incurred by us at a particular stage and our cash outflows continue, the burden on our working capital will increase. We may also be required to provide performance securities. For details of our performance securities, please refer to the section headed "Business — Quality control — Performance securities" in this prospectus.

If we take up too many significant contracts during a particular period of time and we do not have sufficient working capital to pay expenditures, or if we provide performance securities secured by contract deposits or banker's guarantees through pledged deposits, or if our clients request to retain certain part of our payment during the term of the contract, our financial condition, including cash flow may be adversely affected.

RISK FACTORS

We rely on our IT management systems, and any breakdown of our IT management systems may adversely affect our operations and financial results

We rely on our IT management systems to monitor our contract progress, manage our working schedule, monitor our inventory requirements, allocate our resources and review our performance, which enables us to review our capacity, trace our clients' orders and assess our service delivery schedule and contract progress in a timely and systematic manner. Any breakdown, malfunctioning or failure of our IT management systems, whether as a result of human error or natural disaster, may cause disruption or hindrance to our services to be provided to our clients, thereby materially and adversely affecting our reputation, operations and financial results.

We rely on the authorised resellerships granted by manufacturers, and expiry of, failure to renew and/or interruption of any of them would have a material adverse effect on our operations and financial results

As at the Latest Practicable Date, we were the authorised reseller of over 30 hardware and/or software manufacturers. For details of the background of these manufacturers and terms of such resellerships, please refer to the section headed "Business — Suppliers — Resellership programmes" in this prospectus.

Among our over 30 authorised resellerships (17 of which had not specified any contract period in their resellership agreements), (i) four resellership agreements shall expire in the first half of 2017, of which two are being renewed and two shall be renewed before the respective expiry dates; (ii) six resellership agreements shall expire in the second half of 2017; and (iii) six resellership agreements shall expire in 2018. There is no assurance that these authorised resellerships would be renewed, extended upon expiry or continued without interruption. In the event that we are not able to renew, extend upon expiry or continue these authorised resellerships without interruption, we may not be able to procure the hardware and/or software directly from such manufacturers. In addition, we would not be able to enjoy the resources and support provided by the manufacturers, including the cash incentive programme, resources for organising marketing activities and technical support for organising trainings and workshops to equip our employees. During the Track Record Period, we recognised cash incentives of approximately HK\$13.5 million, HK\$15.9 million, HK\$18.3 million and HK\$7.4 million, respectively. As such, if we are unable to identify suitable alternative sources, and recover part of the cash incentives from such alternative sources, our cost of sales will be increased and our profit and profit margin could be materially and adversely affected.

One of the office premises we leased was not in compliance with the permitted usage under the government lease, the deed of mutual covenant of the building and the Buildings Ordinance which may lead us to legal action or eviction from the premises

During the Track Record Period, we leased one premises in Kwun Tong as our Hong Kong headquarters. Office usages associated with the IT and telecommunications industries were not in compliance with the permitted usage stated in the government lease, the deed of mutual covenant of the building and the Buildings Ordinance. As at the Latest Practicable Date, a temporary waiver

RISK FACTORS

was granted by the Lands Department and renewable on a quarterly basis. For details, please refer to the section headed “Business — Legal proceedings and compliance — Non-compliance with government lease, the deed of mutual covenant and the Buildings Ordinance” in this prospectus.

There is no assurance that the relevant government authorities will not prosecute us against our previous breach or that the temporary waiver will be successfully renewed upon expiry. If we are not able to find alternative suitable premises for relocation at comparable rates or if our relocation does not proceed in a timely manner in the event that the temporary waiver could not be renewed and that the relevant government authorities enforce their rights of re-entry and/or demand the usage to be discontinued, our business operation will be materially and adversely affected.

Under section 40(2) of the Buildings Ordinance, our Group is liable to a maximum fine of HK\$100,000 and the relevant directors are liable to a maximum fine of HK\$100,000 and maximum imprisonment of two years. If the relevant government authorities prosecute us for our previous breach, our business operation and financial position will be affected.

We are exposed to potential liabilities for damages or injuries caused by our negligent acts or omissions in providing our services, or defective third party products provided by us

Many of the IT infrastructure solutions provided by us are critical to the operations of our clients’ businesses. Any defects or errors in our IT infrastructure solutions could affect our clients’ operations. Although our IT infrastructure solutions normally run through user acceptance tests before final launch, there is no assurance that all the bugs, errors or flaws in our IT infrastructure solutions have been detected and corrected. Some of our contracts require us to indemnify the clients from any claims, loss and damages, attributable to our negligent acts or omissions, resulting in any personal injury, loss to property, infringement of intellectual property rights, or leakage of confidential information.

We had taken out IT liability insurance to cover loss or damage caused by our services or products. However, if any material losses, damages or liabilities fall outside the scope and/or limit of the insurance coverage, we shall be responsible for such damages or losses, which will adversely affect our financial results and business. In addition, should any of our clients make a claim against us for loss suffered in respect of our IT infrastructure solutions, our reputation would also be adversely affected.

Since our performance relies heavily on our management team, our business may be adversely affected if we fail to retain them or find suitable replacements

Our performance depends, to a significant extent, on the continued services and performance of our management team who have a comprehensive understanding of our clients’ requirements. Our executive Directors and senior management are considered to be important to our future success. For the biographies of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus. We expect that workforce

RISK FACTORS

management and retention will continue to be an important challenge faced by our Group. Failing to recruit or retain our management team, or the loss of the services of any of such personnel, could have an adverse effect on our business.

Concentration on a number of key suppliers may affect our operations. Our business and results of operations could be materially and adversely affected should there be any disruption in the supply of products from our major suppliers, material product defects, failure of suppliers' products to maintain competitiveness, or loss of the suppliers

Our five largest suppliers accounted for approximately 66.6%, 67.7%, 69.7% and 64.2% of our total cost of sales for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

If we are unable to procure the hardware and/or software from our suppliers in a timely manner and under acceptable terms, we may not be able to meet the delivery schedules or may encounter delays in our contracts. Should there be any disruption in the supply of hardware and/or software from our major suppliers, we may be unable to identify an alternative source of supply with competitive prices and satisfactory quality, thus our business and results of operations may be adversely affected.

Concentration on a number of key suppliers generally involves several risks, including the possibility of defective products from a supplier, loss of market share of supplier's products, failure of supplier's products to maintain their competitiveness because of changing IT standards or clients' preference, a supply shortage and loss of such suppliers. Our revenue and profitability could be materially and adversely affected, particularly when we are unable to identify alternative sources of supply for the same or similar products in a timely manner.

Quality of the products provided by the suppliers is not under our control. If the products provided by the suppliers are defective or fail to meet the required standards, our business and reputation may be adversely affected

Our Group provides a variety of hardware and software to our clients as part of our IT infrastructure solutions services. However, we are not able to control the quality of hardware and software provided by our suppliers. If the products provided by the suppliers are defective or fail to meet the required standards, our business and reputation may be adversely affected. We may also be subject to legal proceedings initiated by aggrieved clients in respect of product defects. In such event, we may need to incur additional costs to settle or defend these claims or legal actions which could have material adverse effects on our reputation and financial conditions.

We may not be able to successfully implement our strategies, or achieve our business objectives

Our business objectives as set out in this prospectus are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the development trend of the IT industry currently known to our Directors. We intend to expand our existing

RISK FACTORS

business in accordance with the objectives, details of which are set out in the section headed “Business — Business strategies” in this prospectus. We have to recruit additional employees with the necessary skills and knowledge to achieve our expansion. Our Directors believe that competition for skilled IT professionals is intense in Hong Kong. As a result, we may encounter shortages of skilled and competent personnel, which may hamper our ability to implement our strategies in the future. In addition, the expansion may result in significant capital expenditures incurred by us, which may or may not be recoverable, and may divert management’s attention from other business concerns. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

Any infringement of our intellectual property rights or any infringement by us on the intellectual property rights of others, in particular our clients, may adversely affect our business and our financial performance

Any unauthorised use of our trademark or domain name by our competitors in their corporate names or brands could harm our image and erode our competitive advantages. It is difficult to keep track of unauthorised use of our proprietary rights and the steps taken by us may not effectively prevent infringement of our intellectual property rights. If we have to resort to litigation to enforce our intellectual property rights, significant legal costs may be incurred.

Conversely, there is also a risk that we may infringe the intellectual property rights of others, including our clients. A number of third party software are used in the formulation of our IT infrastructure solutions. Therefore, we have to obtain licences for the use of such third party software and comply with the terms and restrictions therein. There can be no assurance that we will not be claimed against or alleged to have used any of our clients’ or third party’s source codes or software or for breaching any terms and restrictions under any licence or other obligations. These claims could be costly and may divert the attention of our management from operating our business. If we become liable to third parties for infringing their intellectual property rights, we may be required to pay substantial damages, incur additional costs in searching for appropriate alternatives or to obtain licence, or to cease selling the software that contain the infringing properties.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The IT industry is highly competitive, eroding the profits of the market players

The IT infrastructure solutions industry in Hong Kong is highly competitive and fragmented. There were approximately 1,400 to 1,600 companies offering IT infrastructure solutions services in 2015, with the top five IT infrastructure solutions providers accounting for approximately an 11.1% share of the total industry revenue in the financial year 2015. We compete with Hong Kong and international vendors or service providers.

RISK FACTORS

This intense competition may result in competitive pricing, which may have an adverse impact on our operating performance and profitability.

We may not be able to keep up with rapid technological changes and may be driven out of competition

The IT industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to the evolving industry standards and continually improve the know-how of our employees in response to evolving demands of the marketplace. Failing to adapt to such changes would have a material adverse effect on our business.

Our business is susceptible to new technologies introduced to the market, which may reduce or eliminate the need to have proprietary IT infrastructure on users' end

New technologies such as cloud computing and server farms may reduce or eliminate users' need to have proprietary IT infrastructure. The introduction of such new technologies, therefore, may reduce or eliminate our clients' need to maintain their own physical server and in turn may lower their demand for or need to procure the relevant hardware from us. As such, our business and results of operations may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Listing, there has been no public market for the Shares. The Offer Price is the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and may be different from the market prices for the Shares after the Listing. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our results of operation;
- changes in securities analysts' analysis of our financial performance;
- our announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of our key personnel;

RISK FACTORS

- fluctuations in market prices and trading volume of the Shares;
- our involvement in litigation; and
- general economic and stock market conditions in Hong Kong.

Stock markets and the shares of some listed companies in Hong Kong have experienced increasing price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. Under the HKFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our Group's consolidated statement of comprehensive income over the vesting period by reference to the fair value as at the date of grant of the share options. As a result, our profitability may be adversely affected.

We may require additional funding for future growth

We may find opportunities to grow through acquisitions that cannot be anticipated at present. Under such circumstances, secondary issue(s) of securities after the Global Offering may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, if existing Shareholders are not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if our Company fails to utilise the additional funds to generate the expected earnings, this could adversely affect the financial results of our Group and in turn exerts pressure to the market price of our Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

New business strategies formulated in the future could disrupt our Company's ongoing business and present risks not originally contemplated

Our Company may in the future invest in new business strategies or acquisitions. Such endeavours may involve significant risks and uncertainties, including the distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategy, inadequate return of capital and unidentified issues not discovered in

RISK FACTORS

our Company's due diligence. As these new ventures are inherently risky, no assurance can be given that such strategies and initiatives will be successful and will not materially adversely affect our Company's financial conditions and operating results.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all

Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our Group declared dividends of HK\$36.0 million, HK\$48.0 million, HK\$84.0 million and nil, respectively. However, 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.

After completion of the Global Offering, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividend would require the recommendations of our Board and approval of our Shareholders. Under the Articles, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as our results of operations, financial conditions and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends will be at the absolute discretion of our Board.

Potential conflict of interests between our Controlling Shareholders and other minority Shareholders

Immediately following the completion of the Global Offering and the Capitalisation Issue, our Controlling Shareholders collectively will beneficially own in total approximately 64.9% of the Shares (assuming no exercise of the Offer Size Adjustment Option and taking into no account of any Share which may be issued upon the exercise of any option which may be granted under the Share Option Scheme). The interest of our Controlling Shareholders may differ from the interest of other Shareholders.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of the assets, election of Directors and other significant corporate actions. In cases where their interests are aligned and they vote

RISK FACTORS

together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us. We cannot assure that our Controlling Shareholders will act entirely in our interest or that conflict of interest will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of our minority Shareholders and our Controlling Shareholders are free to vote according to their interests.

The sale or availability for sale of substantial number of our Shares by existing Shareholders in the public market, could materially and adversely affect the market price of our Shares

Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the Listing Rules, there are no restrictions imposed on our Controlling Shareholders to dispose of their Shares.

Sale of substantial amounts of our Shares in the public market after the completion of the Global Offering by existing Shareholders, or the perception that such sale could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

There is no assurance that the existing Shareholders would not dispose of their Shares. Any significant disposal of our Shares by any of our existing Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for our Company to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group’s ability to raise further capital.

Our Shareholders may experience difficulties in protecting their interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Memorandum and Articles, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong, the United States or other jurisdictions where investors may be located. Such differences mean that the remedies available to our minority Shareholders may be different

RISK FACTORS

from those they would have under the laws of Hong Kong, the United States or other jurisdictions. For detailed information, please refer to the section headed “Summary of the constitution of the Company and Cayman Company Law” in Appendix III to this prospectus.

Information contained in press articles or other media may not be appropriate, accurate, complete or reliable

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, as such information was not sourced from or authorised by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

Statistics and industry information may come from various sources which may not be reliable

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. The facts and statistics in this prospectus have not been independently verified by us. Our Company, the Sole Sponsor, the Joint Global Coordinators and the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering do not make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable from period to period to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business strategies and plan of operation;
- the success of our existing and future operation;
- our capital expenditure plans;
- our dividends policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- future development in the industries in which we operate;
- the global and domestic economy;
- laws, regulations and rules for the IT infrastructure solutions industry and other industries in Hong Kong and other parts of the world in which we operate;

FORWARD-LOOKING STATEMENTS

- factors that are described in the section headed “Risk factors” in this prospectus; and
- other factors beyond our control.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

The Global Offering is made solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein should not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by Innovax Capital. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is lead managed by the Joint Lead Managers.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of the Offer Shares, to confirm, that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agree.

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of the Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus and on the related Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 8 March 2017. Shares will be traded in board lots of 2,000 Shares each.

The stock code of the Shares is 1985.

CURRENCY TRANSLATIONS

Unless the context requires otherwise, translation of US\$ into HK\$, RMB into HK\$ and MOP into HK\$ is made in this prospectus, for illustration purpose only, at the rates of US\$1.0 = HK\$7.8, RMB1.0 = HK\$1.18 and MOP1 = HK\$0.97. No representation is made that any amount in US\$, HK\$, RMB or MOP could have been or could be converted at the above rate or at any other rate or at all.

LANGUAGE

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

ROUNDING

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

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer 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 on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Chu Ming Ho (朱明豪)	Flat B, 8th Floor, Tower 3 One Mayfair, 1 Broadcast Drive Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Yang Peter Shun Tsing (楊純青)	Flat A, 30th Floor, Block 5 Parc Palais, 18 Wylie Road King's Park, Kowloon, Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Wan Yiu Hon (尹耀漢)	Flat 4A, 27th Floor Grandview Tower 130 Kennedy Road Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Cheng Tak Chung (鄭德忠)	Flat 7D, Marigold Mansion Taikoo Shing, Hong Kong	Chinese
Ms. Li Wai Man (李慧敏)	Flat E, 26th Floor, Block 3 Liberte, 833 Lai Chi Kok Road Kowloon, Hong Kong	Chinese
Mr. Li Richard King Hang (李景衡)	Flat A, 29th Floor, Block 32 South Horizons 32 Yynam Road Apleichau, Hong Kong	Chinese

Please refer to the section headed “Directors and senior management” in this prospectus for further details of our Directors and senior management members.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Innovax Capital Limited

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

2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

Joint Global Coordinators and Joint Bookrunners

Innovax Capital Limited

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

2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

Sinolink Securities (Hong Kong) Company Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO)

Units 2503, 2505–06, 25/F., Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Innovax Capital Limited

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

2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

Sinolink Securities (Hong Kong) Company Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO)

Units 2503, 2505–06, 25/F., Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Gransing Securities Co., Limited

A corporation licensed under the SFO and permitted 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 (as defined in the SFO)

805–806 Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Convoy Investment Services Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO)

21/F, Tesbury Centre

24–32 Queen's Road East

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Hong Kong Underwriters

Innovax Capital Limited

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

2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

Sinolink Securities (Hong Kong) Company Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO)

Units 2503, 2505–06, 25/F., Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Gransing Securities Co., Limited

A corporation licensed under the SFO and permitted 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 (as defined in the SFO)

805–806 Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

Convoy Investment Services Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO)

21/F, Tesbury Centre

24–32 Queen's Road East

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Alliance Capital Partners Limited

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

Room 1502-03A, 15/F

Wing On House

71 Des Voeux Road Central

Hong Kong

CNI Securities Group Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities (as defined in the SFO)

10/F, Sun's Group Centre

200 Gloucester Road

Wanchai

Hong Kong

Head & Shoulders Securities Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined in the SFO)

Room 2511, 25/F

Cosco Tower

183 Queen's Road Central

Hong Kong

Telecom Digital Securities Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities (as defined in the SFO)

Units 3608-12, Tower 2

Metroplaza

223 Hing Fong Road

Kwai Fong

New Territories

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Paul Securities Limited
A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) regulated activities (as defined in the SFO)
10/F, 80 Gloucester Road
Wanchai
Hong Kong

Legal advisers to our Company

as to Hong Kong law:
Sidley Austin
Solicitors, Hong Kong
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

as to Cayman Islands law:
Conyers Dill & Pearman
Attorneys, Cayman Islands
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters

as to Hong Kong law:
Loeb & Loeb LLP
Solicitors, Hong Kong
21/F., CCB Tower
3 Connaught Road Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Property valuer

Asset Appraisal Limited
Room 901, 9th Floor
On Hong Commercial Building
No. 145 Hennessy Road
Wanchai
Hong Kong

Compliance adviser

Innovax Capital Limited
*A corporation licensed under the SFO and permitted
to carry out Type 1 (dealing in securities) and Type 6
(advising on corporate finance) regulated activities (as
defined in the SFO)*
2002, 20th Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	1/F, Century Centre 44–46 Hung To Road Kwun Tong Kowloon Hong Kong
Company’s website address	<u>www.microware.com.hk</u> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Chan Wai Hing Gloria (HKICPA) 1/F, Century Centre 44–46 Hung To Road Kwun Tong Kowloon Hong Kong
Authorised representatives	Mr. Chu Ming Ho 1/F, Century Centre 44–46 Hung To Road Kwun Tong Kowloon Hong Kong Ms. Chan Wai Hing Gloria 1/F, Century Centre 44–46 Hung To Road Kwun Tong Kowloon Hong Kong

CORPORATE INFORMATION

Audit committee	Ms. Li Wai Man (<i>Chairlady</i>) Mr. Cheng Tak Chung Mr. Li Richard King Hang
Remuneration committee	Mr. Li Richard King Hang (<i>Chairman</i>) Mr. Chu Ming Ho Mr. Cheng Tak Chung
Nomination committee	Mr. Chu Ming Ho (<i>Chairman</i>) Mr. Cheng Tak Chung Mr. Li Richard King Hang
Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Industrial and Commercial Bank of China (Asia) Limited 34/F, ICBC Tower 3 Garden Road, Central Hong Kong Dah Sing Bank Limited 33/F, Dah Sing Financial Centre 108 Gloucester Road Hong Kong Hang Seng Bank Limited 20/F, 83 Des Voeux Road Central Hong Kong DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Hong Kong

**WAIVER FROM STRICT COMPLIANCE
WITH THE REQUIREMENTS UNDER THE LISTING RULES**

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the reporting, annual review, announcement and (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in paragraphs 1 and 2 in the section headed "Connected transactions" in this prospectus. Further information is disclosed in the section headed "Connected transactions" in this prospectus.

INDUSTRY OVERVIEW

The information in the section below has been partly derived from various publicly available government sources, market data providers and other Independent Third Party sources. In addition, this section and elsewhere in this prospectus contains information extracted from the Ipsos Report, prepared by Ipsos for the inclusion in this prospectus. We believe that the sources of information of this section 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 has not been independently verified by our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any party or affiliate involved in the Global Offering, other than Ipsos and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.

INTRODUCTION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development, trends and competitive landscape of IT infrastructure solutions industry in Hong Kong for the period from 2011 to 2020 at a fee of HK\$408,000.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Company; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- the supply and demand of products and services in the IT infrastructure solutions industry in the global market are assumed to be stable and without hold-up over the forecast period; and

INDUSTRY OVERVIEW

- it is assumed that there is no external shock such as financial crisis or natural disasters in the global market to affect the demand and supply for the products and service of the IT infrastructure solutions industry in Hong Kong over the forecast period.

Regarding the market sizing and the forecast model used in the Ipsos Report, the historical data are based on publicly available information as set out below and data beyond those periods are based on Ipsos' estimates extrapolated from such publicly available information.

- GDP contribution of the information and communication industry in Hong Kong from 2011 to 2014;
- proportion of business establishments using computers and the number of business establishments using computers in Hong Kong from 2011 to 2014;
- import values and export values of computer products in Hong Kong from 2011 to 2014;
- number of establishments and persons engaged in the IT related services from 2011 to 2014;
- total IT expenditure in the private sector in Hong Kong from 2011 to 2014; and
- total IT expenditure in the public sector in Hong Kong from 2011 to 2013.

Based on the above, our Directors and the Sole Sponsor considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the Ipsos Report and are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading.

Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, after taking reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report or the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

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

OVERVIEW OF THE IT INFRASTRUCTURE SOLUTIONS INDUSTRY IN HONG KONG

The IT infrastructure solutions industry which includes companies that provide different types of services related to IT infrastructure solutions is a sub-segment of the IT solutions industry. The IT solutions industry which includes companies providing IT infrastructure solutions and IT software development solutions in turn forms part of the IT industry. In general, IT infrastructure solutions refer to solutions that include the assessment and design of new IT infrastructure, supply, implementation and installation of hardware and/or software, and other value-added services such as consultation, maintenance and IT outsourcing and secondment services.

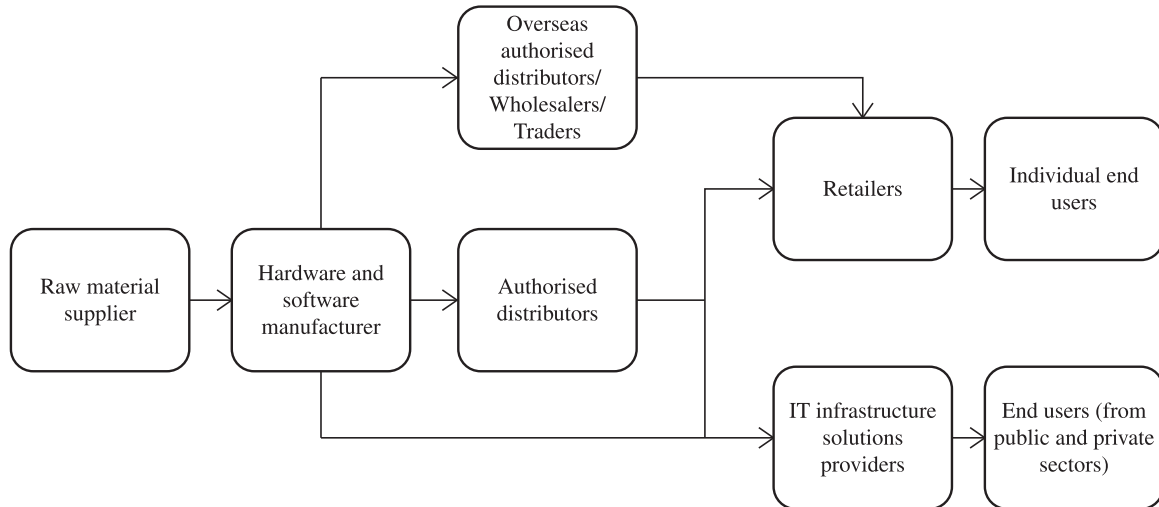
INDUSTRY OVERVIEW

In Hong Kong, the expenditure on IT infrastructure solutions accounted for approximately a 50.7% share of the total expenditure on the IT solutions industry in 2015.

According to the Ipsos Report, the IT solutions industry is a broader industry which consists of companies that provide (i) IT infrastructure solutions; and (ii) IT software development solutions. The graph on page 59 sets forth the total IT expenditure in Hong Kong and represents the market size of the IT solutions industry in Hong Kong. Meanwhile, the graph on page 60 sets forth the expenditure on IT infrastructure solutions in Hong Kong and represents the market size of the IT infrastructure solutions industry in Hong Kong. As can be seen from such graphs, the size of the IT infrastructure solutions industry is approximately half the size of the overall IT solutions industry.

Value chain

The value chain of the IT infrastructure solutions industry is detailed below:



The value chain includes the following key players:

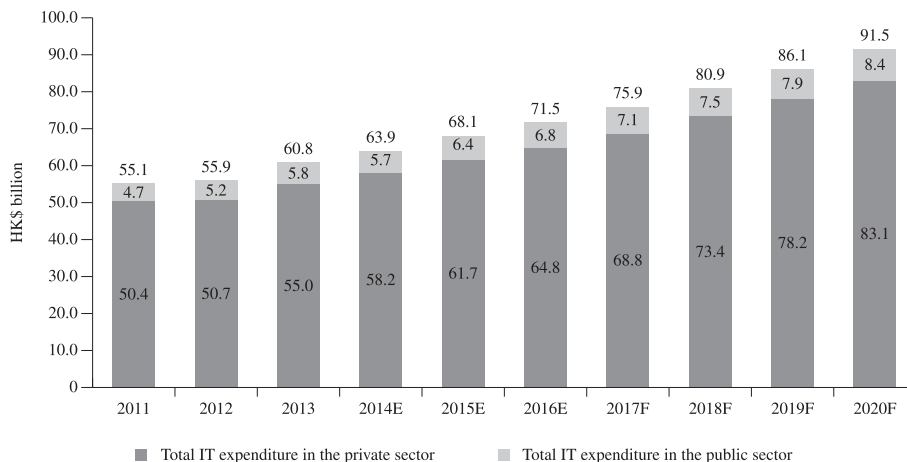
- **Hardware and software manufacturers:** Hardware and software manufacturers include companies such as Hewlett-Packard (HP) and International Business Machines (IBM).
- **Authorised distributors:** Authorised distributors meet certain requirements from the manufacturer or service provider to represent their product. In general, distributors do not offer IT infrastructure solutions services such as installation.
- **Overseas authorised distributors/wholesalers/traders:** These parties trade and resell hardware and software products around the world. Different from authorised distributors, these sourcing partners are classified as a non-official sourcing channel, where the products traded are classified as parallel-traded. In the IT infrastructure solutions industry, IT infrastructure solutions providers generally source the products from either hardware and/or software manufacturers or authorised distributors, rather than sourcing from overseas authorised distributors, wholesalers or traders.

INDUSTRY OVERVIEW

- IT infrastructure solutions providers:** IT infrastructure solutions providers offer the abovementioned services. IT infrastructure solutions providers can act as main contractors by contracting directly with the end user, and thus have full responsibility for project completion. Main contractors may employ one or more IT infrastructure solutions providers as subcontractors who generally offer specialised services and contract with a regular pool of main contractors. IT infrastructure solutions providers procure hardware and/or software from manufacturers and/or authorised distributors. They then sell the hardware and/or software to end users, also providing other IT infrastructure solutions services such as consultation and maintenance services.
- End-users:** End-users of IT infrastructure solutions providers can be broadly segmented into two main groups: public sector (including government and non-government organisations) and private sector (including private companies or organisations).

Market demand for IT infrastructure solutions

The graph below sets forth the total IT expenditure in Hong Kong from 2011 to 2015, and forecast from 2016 to 2020:



Notes:

- 2011 to 2013 data of the total IT expenditure in the private sector are actual figures published by the Census and Statistics Department. Due to data unavailability, 2014 and 2015 were calculated and estimated by Ipsos. The 2014 and 2015 data is currently unavailable and it is estimated to be published by the Census and Statistics Department by September 2017.
- 2011 to 2014 data of the total IT expenditure in the public sector are actual figures published by the Census and Statistics Department. The 2015 data was an estimated figure published by the Office of the Government Chief Information Officer.
- IT expenditure in the public sector refers to the total IT expenditure of: (i) Bureaus and Departments of the Hong Kong Government, (ii) Housing Authority, (iii) Hospital Authority; and (iv) subvented schools (government subsidised educational institutions).

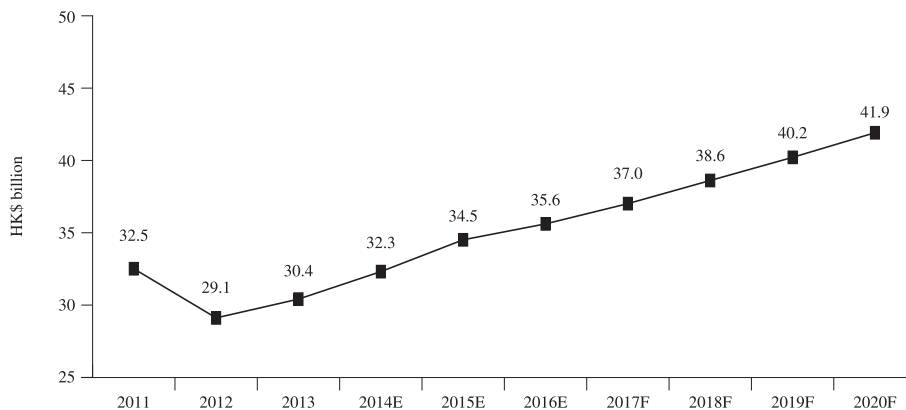
INDUSTRY OVERVIEW

4. The estimation and forecast of total IT expenditure is based on (i) the forecast on the total IT expenditure in the public sector; and (ii) the forecast on the total IT expenditure in the private sector.

Source: Census and Statistics Department; Ipsos research and analysis

The total IT expenditure in Hong Kong increased from approximately HK\$55.1 billion in 2011 to approximately HK\$68.1 billion in 2015, representing a CAGR of approximately 5.4%. During the forecast period from 2016 to 2020, it is expected that the total IT expenditure will continue to increase, from approximately HK\$71.5 billion to approximately HK\$91.5 billion at a CAGR of approximately 6.4%. It is predicted that the IT expenditure in the private sector will remain as the main contributor to total IT expenditure. The total IT expenditure in the private sector experienced rapid growth during the past five years from approximately HK\$50.4 billion in 2011 to approximately HK\$61.7 billion in 2015, at a CAGR of approximately 5.2%. According to the Census and Statistics Department, the ratio of IT expenditure in the private sector to Hong Kong's GDP value increased from approximately 2.2% in 2010 to approximately 2.6% in 2013. In the future, it is expected that IT expenditure in the private sector will increase consistently with a stable year-on-year growth rate of approximately 5.0% to 6.7% over the next five years. The IT expenditure in the private sector will increase from approximately HK\$64.8 billion in 2016 to approximately HK\$83.1 billion in 2020, at a CAGR of approximately 6.4%. This increase is driven by the expected increase in the popularity of cloud computing, big data management and virtualisation. From 2011 to 2015, the total IT expenditure in the public sector increased from approximately HK\$4.7 billion in 2011 to approximately HK\$6.4 billion in 2015, at a CAGR of approximately 8.0%. Meanwhile, the ratio of IT expenditure in the public sector to Hong Kong's GDP value remained at approximately 0.2% to 0.3%.

The graph below sets forth the expenditure on IT infrastructure solutions in Hong Kong from 2011 to 2015, and forecast from 2016 to 2020:



Notes:

1. The data is calculated based on the total IT expenditure in the private and public sectors published by the Census and Statistics Department. The 2011 to 2013 data of the total IT expenditure in the private and public sectors are actual figures published by the Census and Statistics Department. Due to data unavailability, 2014 and 2015 were estimated by Ipsos. The 2014 and 2015 data is currently unavailable and it is estimated to be published by the Census and Statistics Department by September 2017.

INDUSTRY OVERVIEW

2. The forecast of the expenditure is based on (i) the historical trend and growth momentum of IT expenditure on IT infrastructure solutions in the private and public sectors; and (ii) the estimated growth rate of total IT expenditure in the private and public sectors.

Source: Ipsos research and analysis

Despite the decrease between 2011 and 2012, from 2011 to 2015, the expenditure on IT infrastructure solutions in Hong Kong increased from approximately HK\$32.5 billion in 2011 to approximately HK\$34.5 billion in 2015 at an overall CAGR of approximately 1.5%. The drop in expenditure on IT infrastructure solutions in 2012 can be explained by the decreased investment in IT equipment in the private sector, despite the overall growth in IT expenditure as detailed above. For instance, according to the Census and Statistics Department, investment in IT equipment and software in the private sector decreased from approximately HK\$32.3 billion in 2011 to approximately HK\$30.2 billion in 2012, representing a year-on-year growth rate of approximately -6.5%. The private sector in Hong Kong accounted for an average of approximately 90% of the total expenditure on IT infrastructure solutions between 2011 and 2015. The increase in the overall IT expenditure from the public sector also contributed to the growth.

In the future, it is forecasted that expenditure on IT infrastructure solutions will increase from approximately HK\$35.6 billion in 2016 to approximately HK\$41.9 billion in 2020, at a CAGR of approximately 4.2%. It is expected that the private sector will continue to be the major contributor to total expenditure on IT infrastructure solutions in Hong Kong, due to the reasons outlined above.

Labour costs in the IT infrastructure solutions industry

The average annual salaries for IT professionals increased from 2011 to 2015. The table below sets forth the annual salary ranges for IT system architects and project managers in Hong Kong from 2011 to 2015:

Annual salary range by position (HK\$'000)	2011	2012	2013	2014	2015
IT system architect	710.2– 904.9	765.5– 1,003.4	837.1– 1,143.2	900.0– 1,250.0	1,000.0– 1,275.0
IT project manager	417.1– 860.5	448.2– 934.7	486.8– 1,030.0	520.0– 1,102.5	550.0– 1,350.0

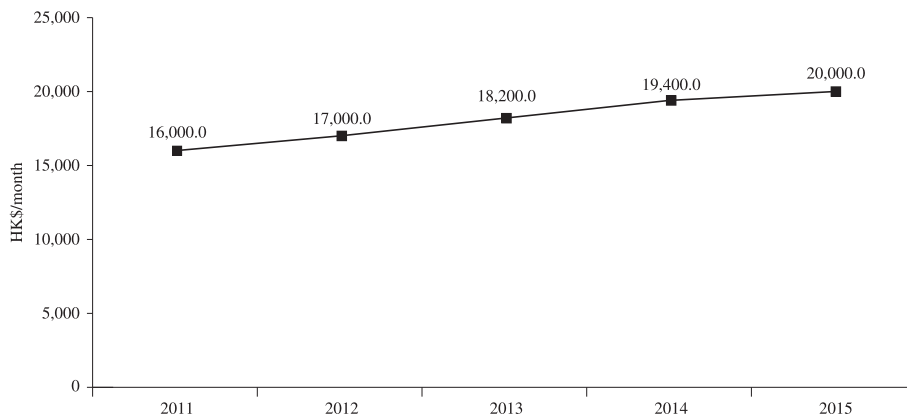
Source: Ipsos research and analysis

IT system architects are responsible for the conceptual and practical design of complex IT systems. IT system architects also help improve the efficiency and the consistency of complex system design.

INDUSTRY OVERVIEW

IT project managers plan, organise and delineate responsibility for the completion of a client's specific IT goals. In the IT infrastructure solutions industry, both IT system architects and IT project managers play an important role in planning and executing projects, and delivering services and products to clients in accordance with the respective contracts. Hence, according to the Ipsos Report, in order to provide specific information on the labour cost trend in the industry, IT system architects' and IT project managers' salaries represent the most appropriate proxy for labour cost.

In order to provide a more general picture on the labour cost trend, the graph below sets forth the median monthly salary of employees in the information and communications sector in Hong Kong from 2011 to 2015:



Note: Median monthly salary refers to the median monthly salary of employees engaged in the information and communications sector in Hong Kong. Among all publicly available data, the information and communications sector is the most related to the IT infrastructure solutions industry.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The median monthly salary of employees in the information and communications sector in Hong Kong increased at a CAGR of approximately 5.7%, from HK\$16,000 in 2011 to HK\$20,000 in 2015. Similar to the increasing trend of the labour cost in some of the specific roles in the industry, the excess demand for IT professionals in Hong Kong was one of the reasons contributing to the growth in the median monthly salary from 2011 to 2015.

COMPETITIVE ANALYSIS OF THE IT INFRASTRUCTURE SOLUTIONS INDUSTRY IN HONG KONG

Competitive landscape

The IT infrastructure solutions industry in Hong Kong is highly competitive and fragmented. There were approximately 1,400 to 1,600 companies offering IT infrastructure solutions services in 2015. The top five IT infrastructure solutions providers accounted for approximately an 11.1% share of the total industry revenue in the financial year 2015. We recorded revenue of approximately HK\$1,061.2 million in Hong Kong for the year ended 31 March 2015, which

INDUSTRY OVERVIEW

represented approximately a 3.1% share of the total industry revenue in the IT infrastructure solutions industry in Hong Kong for the financial year 2015. Companies that offer IT infrastructure solutions compete with Hong Kong and international vendors and service providers.

Top companies in the IT infrastructure solutions industry

The table below sets forth the top five companies in the IT infrastructure solutions industry in Hong Kong in 2015:

<u>Rank</u>	<u>Company</u>	<u>Headquarter location</u>	<u>Approximate revenue in the financial year 2015</u> (HK\$ million)	<u>Approximate market share</u>	<u>Key service scope</u>
1	Our Group	Hong Kong	1,061.2	3.1%	IT infrastructure solutions
2	Competitor A	Hong Kong	897.8	2.6%	IT infrastructure solutions and software development solutions
3	Competitor B	South Africa	852.0	2.5%	IT infrastructure solutions and software development solutions
4	Competitor C	Hong Kong	712.5	2.1%	IT infrastructure solutions and software development solutions
5	Competitor D	Hong Kong	308.6	0.9%	IT infrastructure solutions
	Others		<u>30,651.5</u>	<u>88.9%</u>	
	Total		<u><u>34,483.5</u></u>	<u><u>100.0%</u></u>	

Notes:

1. Percentages may not sum up to 100% due to rounding.
2. Some totals may not correspond with the sum of the separate figures due to rounding.
3. Revenue figures provided represent revenue generated from IT infrastructure solutions services in Hong Kong only and thus may be different from figures disclosed in the respective companies' annual reports.
4. The expenditure on the IT infrastructure solutions in Hong Kong is equivalent to the revenue of the IT infrastructure solutions industry in Hong Kong.
5. The revenue of the top five players refers to revenue in each company's respective 2015 financial year.

Sources: Ipsos research and analysis

INDUSTRY OVERVIEW

Factors of competition

The following are the key factors of competition in the IT infrastructure solutions industry in Hong Kong:

- **customer relationships:** maintaining strong customer relationships is vital in bringing recurring business from clients which can help maintain a company's revenue stream;
- **reputation:** reputation is important in retaining existing clients and attracting new clients within this fragmented industry; and
- **human resources:** companies with a team of well-qualified IT professionals and technicians are able to offer better quality and a larger variety of IT infrastructure solutions services to end users.

Entry barriers to the IT infrastructure solutions industry

The following are the entry barriers for the IT infrastructure solutions industry in Hong Kong:

- **difficulties in hiring experienced and skilled IT professionals:** new entrants in the industry may find it relatively difficult to hire and retain experienced professionals due to a shortage of IT professionals. In general, experienced IT professionals prefer working in established and large companies;
- **unestablished reputation:** IT infrastructure solutions providers with better reputations are perceived as high quality service providers and reputation is developed gradually by offering satisfactory IT infrastructure solutions to end users. Therefore, it can be relatively difficult for new entrants to build a good reputation and attract new clients; and
- **lack of business relationships with hardware and/or software manufacturers:** service providers are required to obtain various types of hardware and/or software from different manufacturers. By establishing stable business relationships with such manufacturers, service providers can obtain favourable credit terms, delivery and exchange conditions and customer support from the manufacturers. These relationships develop over time which potentially forms an entry barrier for new entrants.

Opportunities to and market drivers of the IT infrastructure solutions industry

The following are the opportunities to and market drivers of the IT infrastructure solutions industry in Hong Kong:

- **supportive government policies and initiatives:** the Hong Kong Government has implemented several supportive policies and initiatives. These include the Digital 21 Strategy (2008), the Pan-Government IT Strategy (2011), the creation of a government cloud platform (2013) and the formation of the Innovation and Technology Bureau

INDUSTRY OVERVIEW

(2015). In particular, the Digital 21 Strategy highlights the importance of IT in the education sector, and increasing implementation of e-learning in schools may spur the demand for IT infrastructure solutions in the education sector. Business opportunities have arisen in the IT infrastructure solutions industry in Hong Kong due to these policies and initiatives;

- **growth in business opportunities in Mainland China:** Supplement II of the Closer Economic Partnership Arrangement (CEPA) (2005) enabled Hong Kong service suppliers in the IT industry to form a wholly-owned company to provide services in the PRC. This enlarges the potential market for the IT infrastructure solutions industry in Hong Kong. Internet Plus is a strategic plan implemented by the PRC Government in 2015 encouraging the integration of internet technology and business. These supportive government policies may stimulate the demand for IT infrastructure solutions services; and
- **increasing popularity of big data management:** big data management involves the process of collecting, organising and analysing large sets of data. A growing number of business establishments, in particular within the retail, financial and logistics industries, are adopting such processes. It is expected that the increasing popularity of big data management will bring more business opportunities to service providers in the IT infrastructure solutions industry, especially those providing data migration and consolidation services.

Threats to the IT infrastructure solutions industry

The following are the threats to the IT infrastructure solutions industry in Hong Kong:

- **shortage of experienced and skilled IT professionals:** the supply of IT professionals has not matched the demand created by the industry's recent growth. According to the Vocational Training Council, Hong Kong is experiencing an annual shortage of 302 IT or computing graduates at/above certificate level. Competition for IT professionals with the necessary experience and expertise is expected to increase. The shortage of experienced and skilled IT professionals may have a negative impact on future industry growth;
- **public concern on cyber-security:** cyber-security is becoming a major public concern and thus a growing number of enterprises are concerned about data security. New IT business initiatives could be delayed or abandoned as a result of IT security concerns, which may impede industry growth; and
- **unstable political, economic and social environment:** unfavourable changes in the political, economic or social environment, such as political instability, may have an adverse impact on economic activity and government administration in Hong Kong. This may cause delays in the awarding of government tenders and have a negative impact on future industry growth.

HONG KONG LAWS AND REGULATIONS

There are no specific industry-related qualifications, licences or permits needed to be obtained by our Group for carrying on our businesses in Hong Kong. With the exception of (i) the general legal requirement for the application for and obtaining of a valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong); (ii) the specific statutory requirement that a valid licence shall be obtained to cover the import of certain strategic commodities from the Director-General of Trade and Industry by our Group; and (iii) certain licence conditions requiring approvals to be obtained from the Director-General of Trade and Industry by our Group for the subsequent resale, transfer or disposal of the licensed strategic commodities, there are no specific statutory provisions to regulate the business activities carried out by our Group in Hong Kong other than the general statutory provisions applicable to businesses involving the sales of goods and supply of services.

Business registration

The Business Registration Ordinance requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Supply of goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which aims to codify the laws relating to the sale of goods provides that:

- (a) under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;
- (b) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality; (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination by sample.

REGULATORY OVERVIEW

Where any right, duty or liability would arise under a contract for sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Supply of services

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) which aims to consolidate and amend the laws with respect to the terms to be implied in contract for the supply of services (including a contract for the supply of a service whether or not the goods are also transferred or to be transferred, or bailed or to be bailed by way of hire), provides that:

- (a) where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and
- (b) where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Where a supplier is dealing with a party to a contract for the supply of a service who deals as consumer, the supplier cannot, by reference to any contract term, exclude or restrict any of his liability arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Otherwise, where a right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negated or varied by express agreement, or by the course of dealing between the parties, or by such usage that binds both parties to the contract.

Control of exemption clauses

The Control of Exemption Clauses Ordinance which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise provides that:

- (a) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirements of reasonableness;
- (b) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; or (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected

REGULATORY OVERVIEW

of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;

- (c) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and
- (d) under section 11, as against a person dealing as consumer, liability for breach of the obligations arising from sections 15, 16 and 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to a contract term, but only in so far as the terms satisfying the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trademark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right of interest.

In relation to a contract term, the requirement of reasonableness for the purpose of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regarded to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Strategic commodities

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) requires that the import and export of the articles contained in the schedules to the Import and Export (Strategic Commodities) Regulations (the “**Regulations**”) must be covered by valid licences issued by the Director-General of Trade and Industry.

Licensing applications should be made for the import and export of the strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department. On issuing of a licence, apart from the standard licence conditions, the Director-General of Trade and Industry may, depending on circumstances of individual cases, impose special and additional conditions on approved licences. For encryption products, one very common special licence condition is that no future re-export, resale, transfer or disposal of the goods is allowed without prior notice to and approval from the Director-General of Trade and Industry.

REGULATORY OVERVIEW

As confirmed by our Directors, we had imported two encryption products (i.e. articles contained in the schedules of the Regulations to which the import and export are subject to the licensing control) during the Track Record Period and up to the Latest Practicable Date. Licensing application and the import licence had been made and obtained for the import of the said encryption products and we had complied with the licensing requirements and conditions under the Regulations as at the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had also handled the subsequent resale, transfer or disposal of encryption products covered by the abovementioned licences. We had complied with the licence conditions and had made the requisite applications and obtained the written approvals from the Director-General of Trade and Industry before proceeding with the resale, transfer or disposal of the products during the Track Record Period and up to the Latest Practicable Date.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the *first conduct rule*, *second conduct rule* and *merger rule*.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong (the “**First Conduct Rule**”). The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong (the “**Second Conduct Rule**”). The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening the competition in Hong Kong (the “**Merger Rule**”). The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82, if the Competition Commission has reasonable cause to believe that (a) a contravention of the First Conduct Rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a “warning notice”) to the undertaking.

However, under section 67, where a contravention of the First Conduct Rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an “infringement notice”) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. “Serious anti-competitive conduct” means any conduct that consists of any of the following or any

REGULATORY OVERVIEW

combination of the following — (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (d) bid-rigging.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: (a) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; (b) prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and (c) requiring the payment of damages to a person who has suffered loss or damage.

Our Group has not entered into or given effect to any agreement with anti-competitive object or effect. As advised by our Hong Kong Legal Counsel, the First Conduct Rule is not applicable to our Group.

Although our Group has substantial degree of market power in the IT infrastructure solutions industry subsequent to analysing the factors of market share, product dimension, geographic dimension and entry barriers, no abusive conducts have ever been engaged or implemented by our Group. Our Hong Kong Legal Counsel is therefore of the opinion that the Second Conduct Rule is not applicable to our Group.

Our Group is not involved in the telecommunications industry and our Hong Kong Legal Counsel is therefore of the opinion that the Merger Rule is not applicable to our Group.

In light of the above, our Directors consider that the Competition Ordinance would not have any material adverse impact on our Group's business or sales operations going forward.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND BUSINESS DEVELOPMENT

Microware Ltd., previously known as Microware USA Limited, was incorporated in Hong Kong in October 1985 and initially owned by Mr. Hsin Chi Hsiu and Mr. John P. Perry. The business of Microware Ltd. at the relevant time was focused on sales of computer and related equipment in Hong Kong.

Seeing the great potential of the business of Microware Ltd., each of Mr. Yang and Mr. Yang Shun Long, the younger brother of Mr. Yang, invested in Microware Ltd. using his own source of funding and became a shareholder of Microware Ltd. in 1988. In June 1991, Mr. John P. Perry (the last original shareholder of Microware Ltd.) realised his investment in Microware Ltd. and Mr. Yang took such opportunity to continue developing Microware Ltd.. After such transfer, Microware Ltd. became wholly owned by Mr. Yang and Mr. Yang Shun Long. After expanding its business, in 1991, the business of Microware Ltd. included computer hardware and software resellership and provision of maintenance services in Hong Kong.

In 1998, Microware Ltd. was approached by JOS Technology Group (a division of Jardine, Matheson & Co., Limited), an Independent Third Party, with an aim to acquiring the distributorship business of Microware Ltd.. In view of the higher capital requirement for the distributorship business and the commercial benefits of the arrangement, Microware Ltd. sold the assets and inventory and assigned the intellectual property rights owned or used by the then unincorporated division of Microware Ltd., Microware Distributors, in connection with the business of wholesale distribution of computer-related products in Hong Kong to JOS Technology Group.

The awarding of tender as a supplier by the then Education Department of the Hong Kong Government and the appointment as an approved contractor of the Hong Kong Government during the period from 1998 to 2003 signified our capability to undertake large-scale contracts and provided the basis of establishing our current customer base.

BUSINESS MILESTONES

Set out below are the milestones in our business and corporate development:

<u>Year</u>	<u>Event</u>
1985	Incorporation of Microware Ltd.
1988	Mr. Yang first became one of the shareholders of Microware Ltd.
1991	Microware Ltd. became wholly owned by Mr. Yang and Mr. Yang Shun Long

We were appointed as an authorised reseller and dealer of an American multinational IT group which was well-known for its printers

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
1997	We were appointed as a “business partner” and an authorised reseller and distributor of an American multinational IT group which was well-known for its personal computers
1998	<p>Microware Ltd. entered into, among other things, a business sale and purchase agreement to sell its business of wholesale distribution of computer-related products in Hong Kong to an Independent Third Party</p> <p>We were accorded as a certified solution provider of an American multinational IT group which is well-known for its operating systems</p> <p>We were awarded the tender for the supply, delivery, installation, commissioning, maintenance, training services and other related services of microcomputer systems for the then Education Department of the Hong Kong Government</p>
1999	We moved into our existing office premises in Kwun Tong due to our business expansion
2002	We became a “gold solution adviser” of an American multinational software group which is well-known for its remote access products
2003	We were one of the approved contractors of the Hong Kong Government for the supply, delivery, installation, commissioning, maintenance, training services and other related services of microcomputer and office network products
2006	Our major operating subsidiary in Hong Kong changed its name from “Microware USA Limited” to “Microware Limited”
2008	We were appointed as an authorised reseller of a Chinese multinational IT company
2009	We were appointed as a solution provider of an American IT company which is well-known for its cloud computing and virtualisation software and services

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2011	We were listed as a “gold partner” of an IT company based in Switzerland which is well-known for its virtualisation software and services
2012	We obtained ISO20000-1 and ISO27001 in relation to the provision of hardware and system maintenance services We were recognised as a caring company for the fifth consecutive year by The Hong Kong Council of Social Service
2014	We acquired Cumulus from Mr. Yang

OUR CORPORATE DEVELOPMENT

The major corporate development including the major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below:

Microware Ltd.

Microware Ltd. was incorporated in Hong Kong as a limited liability company on 2 October 1985 with an initial authorised share capital of US\$250,000 divided into 2,500 shares of US\$100 each. It is principally engaged in the provision of IT infrastructure solutions services and provision of IT managed services. Upon incorporation, one subscriber share of US\$100 each was allotted and issued at par, to each of Gregson Limited and Dredson Limited, the initial subscribers and such shares were subsequently transferred to each of Mr. Hsin Chi Hsiu and Mr. John P. Perry on 5 November 1985, each of whom an Independent Third Party.

Subsequent to a series of transfers and allotments by the shareholders of Microware Ltd. at the relevant time which took place between November 1985 and May 1986, the entire issued share capital of Microware Ltd. was owned by the then 11 shareholders of Microware Ltd., each of whom an Independent Third Party at the relevant time.

On 18 July 1988, Microware Ltd. allotted and issued 747 shares of US\$100 each at par, to each of Mr. Yang and Mr. Yang Shun Long, the younger brother of Mr. Yang. Upon completion of such allotment, Microware Ltd. was held as to 15% by Mr. Yang, 15% by Mr. Yang Shun Long and 70% by the then 7 shareholders of Microware Ltd., each of whom an Independent Third Party at the relevant time.

Subsequent to a series of transfers and allotments by the shareholders of Microware Ltd. at the relevant time which took place between August 1988 and June 1991, Microware Ltd. was held as to 80% by Mr. Yang and 20% by Mr. Yang Shun Long.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 28 June 2005, Microware Ltd. allotted and issued 54,000 shares of US\$100 each at par, to Microware International. Upon completion of such allotment, Microware Ltd. was held as to 90% by Microware International, 8% by Mr. Yang and 2% by Mr. Yang Shun Long. On 1 March 2006, Microware Ltd. subdivided all its issued and unissued shares with par value of US\$100 each into 2,000 shares of US\$0.05 each. Upon completion of such share subdivision, the authorised share capital of Microware Ltd. was US\$6,000,000 divided into 120,000,000 shares of US\$0.05 each and the issued share capital of Microware Ltd. was held as to 108,000,000 shares (representing 90% of the issued capital of Microware Ltd.) by Microware International, 9,600,000 shares (representing 8% of the issued capital of Microware Ltd.) by Mr. Yang and 2,400,000 shares (representing 2% of the issued capital of Microware Ltd.) by Mr. Yang Shun Long.

On 22 August 2006, in contemplation of the establishment of the Share Award Scheme, details of which are set out in the paragraph headed “Share Award Scheme” in this section and Note 25 to the Accountants’ Report included in Appendix I to this prospectus, Microware Investment acquired 1,288,000 shares of Microware Ltd. from Mr. Yang at a total consideration of HK\$972,777, which was determined with reference to the net asset value of Microware Ltd. as at 31 March 2006 and was fully settled on 18 August 2006. Upon completion of such transfer, Microware Ltd. was held as to approximately 90.0% by Microware International, approximately 6.9% by Mr. Yang, approximately 2.0% by Mr. Yang Shun Long and approximately 1.1% by Microware Investment.

As part of the family arrangement, on 31 October 2007, Mr. Yang acquired 2,400,000 shares of Microware Ltd. from Mr. Yang Shun Long at a consideration of HK\$1. Upon completion of such transfer, Microware Ltd. was held as to approximately 90.0% by Microware International, approximately 7.1% by Mr. Yang and approximately 2.9% by Microware Investment.

Subsequent to a series of transfers and allotments by the shareholders of Microware Ltd. at the relevant time which took place between September 2008 and August 2014, Microware Ltd. was owned as to 80.0% by Microware International, approximately 19.5% by Microware Investment and approximately 0.5% by Mr. Yang.

As part of the Reorganisation, Microware Ltd. became a wholly-owned subsidiary of our Company pursuant to the Reorganisation. For further details, please refer to the paragraph headed “Reorganisation” in this section.

ProAct IT

ProAct IT was incorporated in Hong Kong as a limited liability company on 7 April 2004 with an initial authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. It is principally engaged in the provision of IT managed services. Upon incorporation, 100,000 shares of HK\$1.00 each were allotted and issued at par, to Microware Ltd..

On 30 June 2005, Microware Ltd. transferred its 100,000 shares of HK\$1.00 each in ProAct IT at par, to Microware International. Upon completion of such transfer, ProAct IT became a wholly-owned subsidiary of Microware International.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, ProAct IT became a wholly-owned subsidiary of our Company pursuant to the Reorganisation. For further details, please refer to the paragraph headed “Reorganisation” in this section.

SHARE AWARD SCHEME

In July 2006, Mr. Yang established the Share Award Scheme as a token of appreciation of the employee’s contribution to the Group and to retain employees within the Group. Under the Share Award Scheme, Microware Investment, a company incorporated by Mr. Yang, which in turn held the shares of Microware Ltd., would issue and allot new shares to eligible employees of the Group. The board of directors of Microware Ltd. from time to time determined the eligibility criteria, the basis of the subscription price, and the number of shares of Microware Investment which can be purchased by the eligible employees under the Share Award Scheme and exercised discretion in offering the shares of Microware Investment to certain employees. The following table sets forth the eligibility criteria, the basis of the subscription price, and the number of shares of Microware Investment which can be purchased by the eligible employees during the Track Record Period:

Costs incurred in financial year ended	Eligibility criteria	Number of shares of Microware Investment which can be purchased by the eligible employees	Basis of subscription price of the shares of Microware Investment
31 March 2014	Employees having received bonus in January 2013, who (i) were of supervisor level or above; or (ii) had served Microware Ltd. and/or its subsidiaries for at least seven years; or (iii) had previously subscribed for shares of Microware Investment under the Share Award Scheme (<i>Note 1</i>)	Annual bonus of January 2013 received by the eligible employee divided by the subscription price, subject to the minimum purchase of 2,000 shares	The net book value of Microware Ltd. as at 31 March 2013
	Employees who have served Microware Ltd. and/or its subsidiaries for 20 years as at the date of the share award letter	As determined by the board of directors of Microware Ltd. based on individual circumstances	HK\$1

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Costs incurred in financial year ended	Eligibility criteria	Number of shares of Microware Investment which can be purchased by the eligible employees	Basis of subscription price of the shares of Microware Investment
31 March 2015	Employees having received bonus in January 2014 and having previously subscribed for shares of Microware Investment under the Share Award Scheme during the year ended 31 March 2014, who (i) were of supervisor level or above; or (ii) had served Microware Ltd. and/or its subsidiaries for at least seven years (<i>Note 2</i>)	Annual bonus of January 2014 received by the eligible employee divided by the subscription price, subject to the minimum purchase of 2,000 shares (<i>Note 3</i>)	The net book value of Microware Ltd. as at 31 March 2014
	Employees who have served Microware Ltd. and/or its subsidiaries for 20 years as at the date of the share award letter	As determined by the board of directors of Microware Ltd. based on individual circumstances	HK\$1
31 March 2016	Employees who have served Microware Ltd. and/or its subsidiaries for 20 years as at the date of the share award letter	As determined by the board of directors of Microware Ltd. based on individual circumstances	HK\$1

Notes:

1. The board of directors of Microware Ltd. had exercised discretion in offering the shares of Microware Investment to two non-eligible employees due to their previous work experience that may offer valuable contribution to the Group notwithstanding the fact that they were not able to meet the eligibility criteria as disclosed above.
2. The board of directors of Microware Ltd. had exercised discretion in offering the shares of Microware Investment to six non-eligible employees due to their performance notwithstanding the fact that they were not able to meet the eligibility criteria as disclosed above.
3. The board of directors of Microware Ltd. had exercised discretion in offering three eligible employees with subscription amounts higher than their respective bonuses received for the same period due to their performance.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

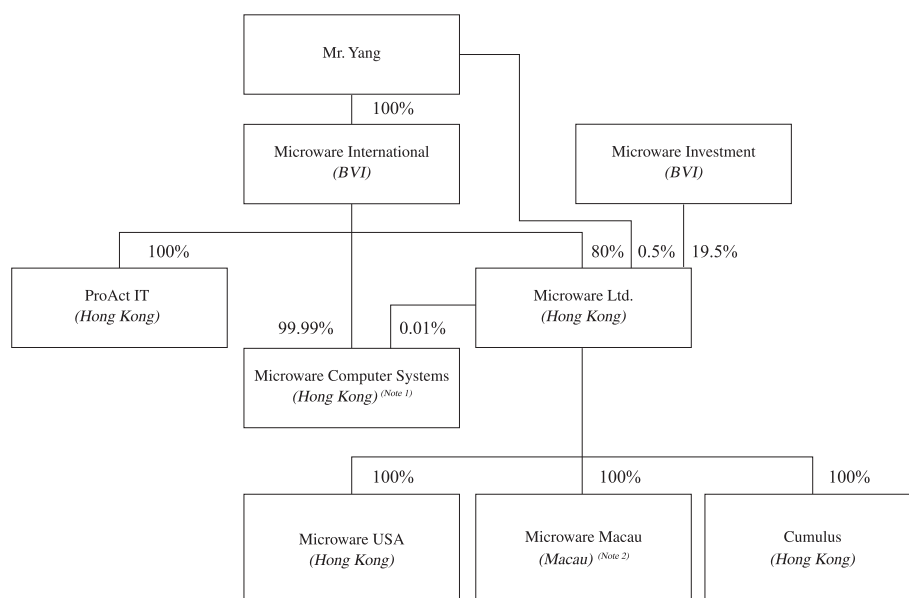
For further details of the Share Award Scheme and the share based payment transactions, please refer to the section headed “Financial Information — Descriptions of certain income statement items — Share-based payment transactions” and Note 25 to the Accountants’ Report included in Appendix I to this prospectus.

Upon completion of the Reorganisation, the Share Award Scheme ceased to be in effect and no further shares will be awarded under the Share Award Scheme and Microware Investment became wholly owned by Mr. Yang. Please refer to the paragraph headed “Reorganisation — Acquisitions of certain subsidiaries” in this section for further details.

REORGANISATION

In December 2015, we commenced the Reorganisation in preparation for the Global Offering.

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out in the chart below:



Notes:

1. The 0.01% shareholding interest in Microware Computer Systems was held by Mr. Yang on trust for Microware Ltd. in compliance with the then effective Predecessor Companies Ordinance which required a limited liability company incorporated in Hong Kong to have at least two shareholders.
2. The shareholding interest in Microware Macau was held as to 96% by Microware Ltd. and 4% by Mr. Chu, who held such interest on trust for Microware Ltd. in compliance with Macau laws which require each company in Macau to have at least two shareholders.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 20 January 2016 to act as the holding company of our Group. The initial authorised share capital of our Company was HK\$390,000 divided into 39,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one Share, representing the then entire issued share capital of our Company, was allotted and issued to the initial subscriber and such Share was transferred to Microware International on the same day.

Microware BVI was incorporated in the BVI on 3 February 2016 with an initial authorised share capital of 10,000 shares with a par value of HK\$1.00 each. Upon incorporation, one share, representing the entire issued share capital of Microware BVI, was allotted and issued at par, to our Company.

Disposal of inactive company

As part of the Reorganisation and with a view to streamlining the shareholding structure of our Group and given that Microware USA was inactive and has no business operation, on 19 January 2016, Microware Ltd. transferred its 10,000 shares in Microware USA, representing the entire issued share capital of Microware USA, to Mr. Yang at a consideration of HK\$1.00, which was determined with reference to the nominal value of the total issued shares of Microware USA. Upon completion of such transfer, Microware USA ceased to be a subsidiary of Microware Ltd..

Deregistration of Microware Macau

With a view to focusing on our operations in Hong Kong market, we ceased our operations in Macau. As part of the Reorganisation, Microware Macau was deregistered on 31 December 2015.

Acquisitions of certain subsidiaries

The following table sets forth the details of acquisitions of certain subsidiaries undertaken pursuant to the Reorganisation:

<u>Date of transfer</u>	<u>Companies acquired</u>	<u>Transferor</u>	<u>Transferee</u>	<u>Interest acquired</u>	<u>Consideration</u>	<u>Date of Settlement</u>
31 March 2016	Microware Computer Systems ⁽¹⁾	Microware International	Microware BVI	99.99%	HK\$9,999 ⁽⁶⁾	31 March 2016
		Mr. Yang ⁽⁵⁾		0.01%	HK\$1 ⁽⁶⁾	31 March 2016
31 March 2016	ProAct IT ⁽²⁾	Microware International	Microware BVI	100%	HK\$7,900.52 ⁽⁷⁾	31 March 2016
31 March 2016	Cumulus ⁽³⁾	Microware Ltd.	Microware BVI	100%	HK\$1 ⁽⁶⁾	31 March 2016
31 March 2016	Microware Ltd. ⁽⁴⁾	Microware International	Microware BVI	80%	HK\$77,280,000 ⁽⁸⁾	31 March 2016
		Microware Investment ⁽⁹⁾		19.46%	HK\$18,803,190 ⁽¹⁰⁾	31 March 2016
		Mr. Yang		0.54%	HK\$516,810 ⁽¹¹⁾	31 March 2016

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. Microware Computer Systems has no business operation and it is a registered proprietor of certain trademarks of our Group.
2. ProAct IT is principally engaged in the provision of IT managed services.
3. Cumulus is principally engaged in the provision of IT infrastructure solutions services.
4. Microware Ltd. is principally engaged in the provision of IT infrastructure solutions services and provision of IT managed services.
5. Mr. Yang held such share on trust for Microware Ltd. in compliance with the then effective Predecessor Companies Ordinance which required a limited liability company incorporated in Hong Kong to have at least two shareholders.
6. The consideration for such transfer was determined with reference to the par value of the share(s) transferred and was settled by our Company by issuing and allotting one Share to Microware International.
7. The consideration for such transfer was determined with reference to the net asset value of ProAct IT as at 29 February 2016 and was settled by our Company issuing and allotting one Share to Microware International.
8. The consideration for such transfer was determined with reference to the net asset value of Microware Ltd. as at 29 February 2016 and was settled by our Company by issuing and allotting 95,995 Shares to Microware International.
9. Microware Investment is an investment holding company. For the purpose of recognising the contribution of certain senior management and employees of our Group and retaining them with our Group, since the year ended 31 March 2007, Mr. Yang established a share award scheme pursuant to which, 22,598,000 shares of Microware Investment were held by Mr. Chu and certain senior management and employees of the Group as of 31 March 2016 immediately prior to the completion of the Reorganisation. For details of the share award scheme, please refer to the paragraph headed "Share Award Scheme" in this section and Note 25 to the Accountants' Report included in Appendix I to this prospectus. Immediately prior to the completion of the Reorganisation, Microware Investment was owned as to approximately 3.3% by Mr. Yang, approximately 20.5% by Mr. Chu and approximately 76.2% by the Employee Shareholders (of which approximately 0.9% interest in Microware Investment was held by Mr. Yang Joseph Hwa, the son of Mr. Yang and a member of the senior management of our Group). Upon completion of the Reorganisation, the Share Award Scheme ceased to be in effect and no further shares will be awarded under the Share Award Scheme and Microware Investment became wholly owned by Mr. Yang.
10. Immediately prior to completion of the Reorganisation, Microware Investment was interested in approximately 19.5% of the issued share capital of Microware Ltd.. As part of the Reorganisation, Microware BVI acquired approximately 19.5% of the issued share capital of Microware Ltd. from Microware Investment. The consideration for such transfer was determined with reference to the net asset value of Microware Ltd. as at 29 February 2016 and was settled by our Company by issuing and allotting 4,800 Shares to Mr. Chu, 760 Shares to Microware International and 17,798 Shares to the Employee Shareholders, on a pro-rata basis, all at the instructions and directions of Microware Investment.
11. The consideration for such transfer was determined with reference to the net asset value of Microware Ltd. as at 29 February 2016 and was settled by our Company by issuing and allotting 642 Shares to Microware International at the instruction and direction of Mr. Yang.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

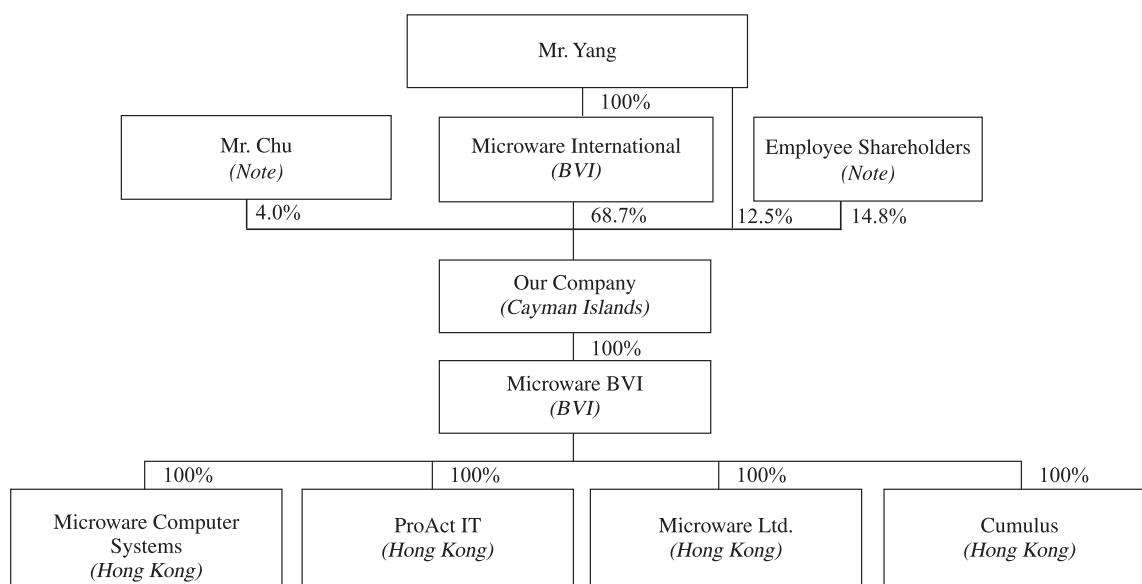
Transfer of Shares from Microware International to Mr. Yang

On 24 May 2016, Microware International transferred 15,000 Shares to Mr. Yang at a consideration of HK\$150 as part of the asset restructuring plan of Mr. Yang, and such consideration was determined with reference to the par value of the Shares transferred. Upon completion of such transfer, our Company was held as to approximately 68.7% by Microware International, 12.5% by Mr. Yang, 14.8% by the Employee Shareholders and 4.0% by Mr. Chu.

As confirmed by our Directors, each of the share transfers made in the Reorganisation was properly and legally completed and settled. No approval is required from the relevant regulatory authorities. The Reorganisation was completed on 31 March 2016.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganisation, but before completion of the Global Offering and the Capitalisation Issue:



Note: Save and except for the transfer of these Shares to Mr. Yang or a person designated by him, holders of these Shares shall not, among others, offer, pledge, charge or dispose of these Shares at any time between the date of allotment of these Shares to the Listing Date.

INCREASE OF AUTHORISED SHARE CAPITAL

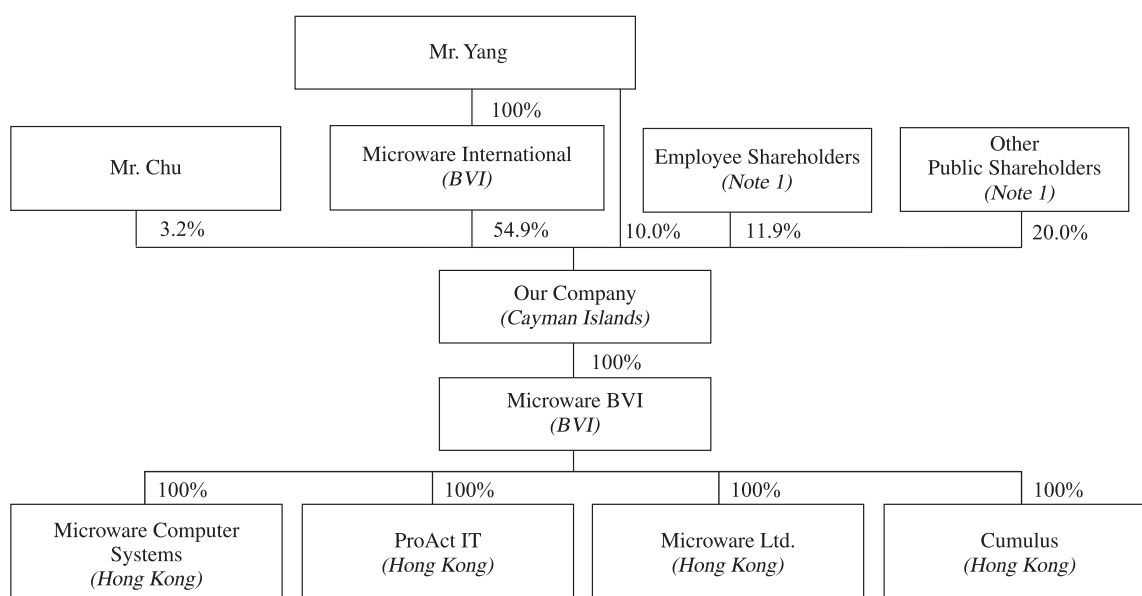
On 15 February 2017, our Company increased its authorised share capital from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,961,000,000 Shares of HK\$0.01 each.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$2,398,800 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 239,880,000 Shares for allotment and issue to our Shareholders as at 15 February 2017.

The following chart sets forth our Group's corporate and shareholding structure after completion of the Reorganisation, the Global Offering and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Note:

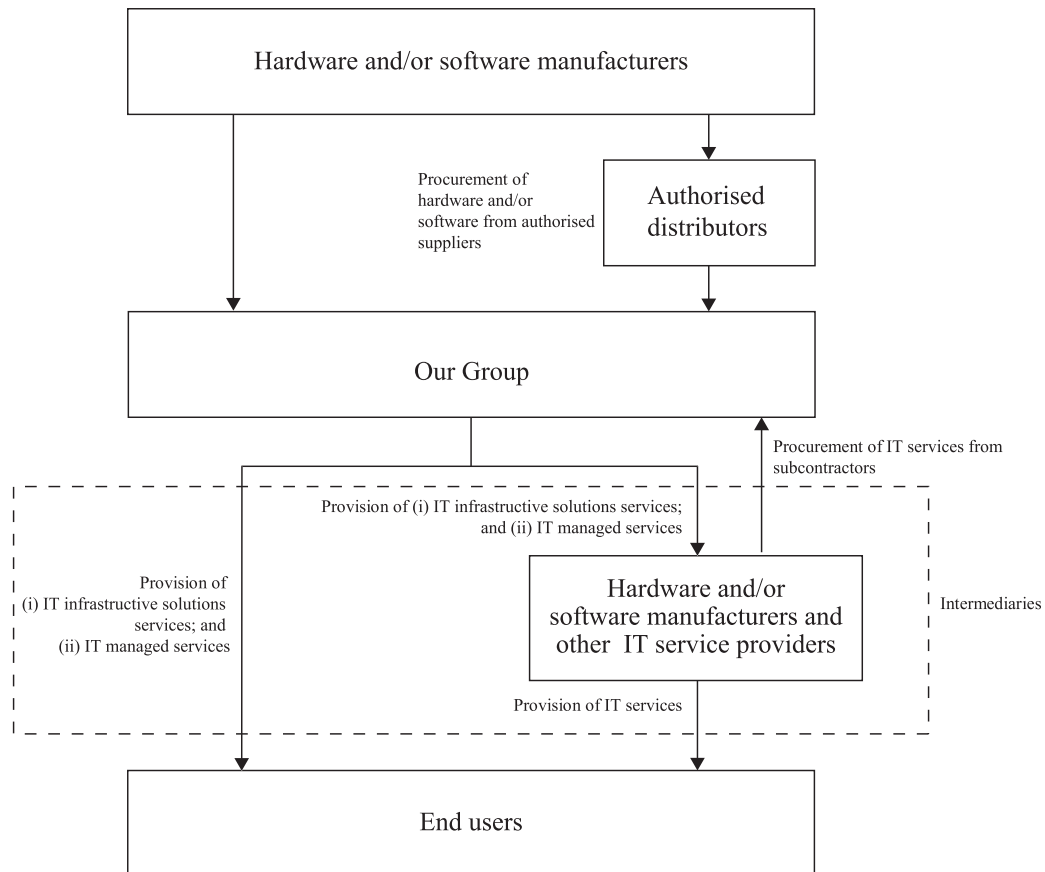
1. These shareholdings are counted towards the public float under Rule 8.08 of the Listing Rules.

OVERVIEW

We are a well-established IT infrastructure solutions provider based in Hong Kong. According to the Ipsos Report, we ranked first among the IT infrastructure solutions providers in terms of revenue in Hong Kong in the financial year 2015.

Being the authorised reseller of over 30 hardware and/or software manufacturers, our business comprises the provision of (i) IT infrastructure solutions services; and (ii) IT managed services. Throughout and after the Track Record Period, there had not been, nor do we expect there to be, any change in the business focus of our Group.

Microware Ltd. was incorporated in 1985 and our operating history may be traced back to the time when Microware Ltd. became wholly owned by Mr. Yang and Mr. Yang Shun Long, the younger brother of Mr. Yang, in 1991. We were at the relevant time selling computer and related equipment, and providing maintenance services. In 1998, we focused our resources to develop our services in providing IT infrastructure solutions as a reseller and sold our distributorship business. For details of our historical development, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus.



BUSINESS

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our total revenue amounted to approximately HK\$1,082.1 million, HK\$1,064.2 million, HK\$1,075.5 million and HK\$436.8 million, respectively. The following table sets forth a breakdown of our revenue from each category of our services during the Track Record Period:

	For the year ended 31 March									For the five months ended 31 August					
	2014			2015			2016			2015			2016		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
IT infrastructure solutions services	994,945	101,415	10.2	963,649	104,515	10.8	963,359	100,569	10.4	376,517	39,304	10.4	395,205	41,023	10.4
IT managed services	87,142	18,225	20.9	100,503	19,443	19.3	112,132	24,927	22.2	36,867	8,374	22.7	41,630	10,865	26.1
Total:	<u>1,082,087</u>	<u>119,640</u>	11.1	<u>1,064,152</u>	<u>123,958</u>	11.6	<u>1,075,491</u>	<u>125,496</u>	11.7	<u>413,384</u>	<u>47,678</u>	11.5	<u>436,835</u>	<u>51,888</u>	11.9

During the Track Record Period, part of our revenue was generated in Macau. In December 2015, we had de-registered our operating subsidiary in Macau, Microware Macau. As at the Latest Practicable Date, we had ceased all operation in Macau to focus our resources in Hong Kong and our Directors confirmed there is no current plan to re-enter or develop any overseas market, including Macau, in the foreseeable future. The following table sets forth a breakdown of our revenue by geographical location during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong (Note 1)	1,080,262	99.8	1,061,229	99.7	1,071,978	99.7	410,959	99.4	436,835	100.0
Macau (Note 2)	1,825	0.2	2,923	0.3	3,513	0.3	2,425	0.6	—	—
Total:	<u>1,082,087</u>	<u>100.0</u>	<u>1,064,152</u>	<u>100.0</u>	<u>1,075,491</u>	<u>100.0</u>	<u>413,384</u>	<u>100.0</u>	<u>436,835</u>	<u>100.0</u>

Notes:

- Revenue was generated in Hong Kong when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Hong Kong.
- Revenue was generated in Macau when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Macau.

We are engaged as a main contractor when our services are provided directly to end users and as a subcontractor when our clients are intermediaries. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, less than 4% of our revenue was generated through contracts of which we were engaged as a subcontractor.

BUSINESS

For each of the three years ended 31 March 2016, our gross profit amounted to approximately HK\$119.6 million, HK\$124.0 million and HK\$125.5 million, respectively, representing an overall growth of approximately 4.9%. For the five months ended 31 August 2016, our gross profit amounted to approximately HK\$51.9 million, representing a growth of approximately 8.8% compared with that for the five months ended 31 August 2015.

As at 31 August 2016, we had over 7,500 ongoing contracts awarded by over 1,300 clients with an aggregated contract sum of approximately HK\$546.2 million.

The following table sets out the summary of our ongoing contracts with a contract sum of HK\$10 million or above as at 31 August 2016:

Contract type	Service period	Approximate total payment received by our Group up to 31 August 2016	Approximate total contract sum	Approximate revenue recognised during the Track Record Period	Client background
1 Provision of IT infrastructure solutions services	Three years commencing December 2014	HK\$17.4 million	HK\$70.6 million	FY2013/14: nil FY2014/15: HK\$1.4 million FY2015/16: HK\$16.0 million 1 April–31 August 2016: HK\$18.4 million	An international airline registered and based in Hong Kong
2 Provision of IT infrastructure solutions services	Three years commencing June 2016	HK\$10.1 million	HK\$32.7 million	FY2013/14: nil FY2014/15: nil FY2015/16: nil 1 April–31 August 2016: HK\$10.1 million	An integrated international container transportation, logistics and terminal company
3 Provision of IT managed services and IT infrastructure solutions services	Five years commencing July 2016 (automatically renewable for the second to fifth year)	nil	HK\$30.9 million	FY2013/14: nil FY2014/15: nil FY2015/16: nil 1 April–31 August 2016: HK\$1.3 million	A Hong Kong based corporation which operates a securities market and a derivatives market in Hong Kong
4 Provision of IT infrastructure solutions services	Five years commencing July 2013	HK\$16.6 million	HK\$27.0 million	FY2013/14: HK\$6.3 million FY2014/15: HK\$5.2 million FY2015/16: HK\$5.2 million 1 April–31 August 2016: HK\$5.2 million	A manufacturer of cotton apparel and textile based in Hong Kong
5 Provision of IT managed services and IT infrastructure solutions services	Five years commencing July 2014 (automatically renewable for the second to fifth year)	HK\$9.4 million	HK\$26.0 million	FY2013/14: nil FY2014/15: HK\$4.7 million FY2015/16: HK\$4.8 million 1 April–31 August 2016: HK\$5.0 million	A Hong Kong based corporation which operates a securities market and a derivatives market in Hong Kong
6 Provision of IT infrastructure solutions services	Three years commencing January 2015	HK\$8.9 million	HK\$12.9 million	FY2013/14: nil FY2014/15: HK\$4.8 million FY2015/16: HK\$4.1 million 1 April–31 August 2016: nil	A relocation service provider
7 Provision of IT infrastructure solutions services	Three years commencing April 2015	HK\$8.2 million	HK\$12.4 million	FY2013/14: nil FY2014/15: nil FY2015/16: HK\$4.1 million 1 April–31 August 2016: HK\$4.1 million	An operator of a theme park in Hong Kong

BUSINESS

The following table sets forth the summary of contracts undertaken by our Group during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August					
	2014		2015		2016		2016					
Number of clients	Over 2,500		Over 2,400		Over 2,200		Over 1,800					
Number of completed contracts (Note 1)	Over 32,000		Over 30,000		Over 26,000		Over 10,000					
	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised
	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000	(Note 2)	HK\$'000	HK\$'000
Contract sum of HK\$10,000,000 or above	3	77,768	23,941	8	225,439	53,284	12	268,872	95,233	6	199,565	44,720
Contract sum below HK\$10,000,000 but at or above HK\$1,000,000	189	395,165	261,978	175	360,940	254,682	186	412,143	282,740	86	207,118	119,151
Contract sum below HK\$1,000,000 but at or above HK\$100,000	1,876	530,963	446,957	1,833	518,677	435,148	1,738	494,149	414,418	788	226,216	162,343
Contract sum below HK\$100,000 but at or above HK\$10,000	10,322	313,692	281,583	9,609	292,105	259,768	8,706	259,227	230,127	4,109	122,400	88,942
Contract sum below HK\$10,000	26,185	78,204	67,628	24,213	72,075	61,270	21,464	63,638	52,973	11,617	32,534	21,679
Total	38,575	1,395,792	1,082,087	35,838	1,469,236	1,064,152	32,106	1,498,029	1,075,491	16,606	787,833	436,835

Notes:

- For each of the three years ended 31 March 2016, over 80% of our revenue was contributed by the contracts completed in the respective financial years. For the five months ended 31 August 2016, over 70% of our revenue was contributed by the contracts completed in the financial period.
- The number of contracts undertaken refers to the number of contracts which generated revenue recognised by our Group during the relevant financial year/period.

COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

Wide and stable customer base in terms of number and type of recurring clients

Among our customer base, the Hong Kong Government was one of our largest clients for each of the three years ended 31 March 2016 and the five months ended 31 August 2016. Our clients included end users and intermediaries, such as other IT service providers and hardware and/or software manufacturers, in particular when we were required to provide services as subcontractor from time to time. Our end user clients included educational institutions, public bodies and commercial organisations in various sectors, such as banking and finance and transportation.

For each of the three years ended 31 March 2016, we served over 2,000 clients per year. We also derived a significant portion of our revenue from our recurring clients, amounting to approximately 95.9%, 96.4%, 97.2% and 96.6% of our revenue for each of the three years

BUSINESS

ended 31 March 2016 and the five months ended 31 August 2016, respectively. As at the Latest Practicable Date, our business relationships with our five largest clients ranged from approximately three years to 18 years.

Given (i) our capability to undertake contracts as a main contractor or a subcontractor; and (ii) our clients included the Hong Kong Government with higher credit-worthiness and commercial organisations across different sectors, we were less susceptible to changing market conditions and fluctuations and credit risk. As such, we had been able to derive a stable source and level of revenue through our customer base.

Proven track record in providing customised one-stop services to clients

Our one-stop business model has allowed us to provide customised IT infrastructure solutions and IT managed services to our clients. Our clients are able to enjoy the convenience of an “one-stop” IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; to (iv) management and maintenance of the IT infrastructure solutions. Through our one-stop services, our Directors believe that our clients may achieve greater efficiency in the allocation of their IT-related budgets and resources. We are also able to capitalise the cross-selling and marketing opportunities derived from our one-stop business model, which allows us to have more efficient allocation of resources, deliver our services in a manner catering to the actual needs of our clients and accordingly promote our clients’ confidence in us. The economies of scale of our operations are also maximised through our business model.

We also apply ISO20000-1 and ISO27001 as standards for our internal workflows and quality control, thereby ensuring our service quality and security. For details of our quality control, please refer to the section headed “Business — Quality control” in this prospectus.

Well-established relationships with well-known hardware and/or software manufacturers

As at the Latest Practicable Date, in Hong Kong, we were one of the highest-ranking authorised resellers of 11 hardware and/or software manufacturers. We had over four years of business relationships with most of such manufacturers. Please refer to the section headed “Business — Suppliers — Resellership programmes” in this prospectus for further details.

Our Directors are of the view that we had been able to achieve the highest ranking mainly due to our ability to meet certain benchmarks set by the manufacturers. Such benchmarks include (i) our actual sales volume each year; (ii) our technical capabilities and knowledge; and (iii) our service quality. Over the years, we had received various awards from the hardware and/or software manufacturers in recognition of our services. We had been awarded (i) the “Top Performing Enterprise Group Reseller” in various categories by Hewlett-Packard Company or Hewlett Packard Enterprise for three consecutive years since 2013; (ii) the “Best Licensing Solution Partner of the Year” and the “Best Academic Partner of the Year” by Microsoft Corporation for 2015; (iii) the “Candefero Cloud: Managed Services Partner of the Year” by Canalys for 2015; and (iv) the “Outstanding Performance HP Inc Reseller — Partner-Led Business” by HP Inc. since 2015. For further details of our awards, please refer to the section headed “Business — Major qualifications and awards” in this prospectus.

We are able to maintain our competitiveness in the market since, as the highest-ranking authorised reseller, we are able to obtain more favourable rates and more resources and technical support, thereby allowing us to provide customised, high quality IT infrastructure solutions to clients in a timely and cost-effective manner. We are able to receive funding and technical support from the hardware and/or software manufacturers and authorised distributors for organising marketing activities. Upon fulfilling certain performance targets, our cost of procuring hardware and software may be reduced by the cash incentives recognised from the hardware and/or software manufacturers and authorised distributors. We may also participate in trainings and workshops given by them to equip our employees with the latest technical knowledge of the hardware, software and/or IT infrastructure solutions.

Leading market position in terms of revenue in Hong Kong and long term presence in the IT infrastructure solutions industry

Microware Ltd. was incorporated in 1985 and our operating history may be traced back to the time when Microware Ltd. became wholly owned by Mr. Yang and Mr. Yang Shun Long in 1991. Our long operating history has enabled us to develop long-term business relationships with our clients and suppliers and to build brand awareness. According to the Ipsos Report, we ranked first among the IT infrastructure solutions providers in terms of revenue in Hong Kong in 2015.

We had been one of the approved contractors of the Hong Kong Government for the supply, delivery, installation, commissioning, maintenance, training services and other related services of microcomputer and office network products since 2003. We had been awarded the tenders for the supply, delivery, installation, commission and other related services of computer systems for the then Education Department of the Hong Kong Government from 1998 to 2001. For further details of our qualifications as an approved contractor of the Hong Kong Government, please refer to the section headed “Business — Major qualifications and awards” in this prospectus.

Our Directors believe our established market position and long term presence in the industry would help us to maintain existing business relationships with our clients and suppliers while developing new business relationships with potential clients and new suppliers.

Experienced management team, qualified employees and strong talent pool for public sector projects

We are led by, among others, Mr. Yang, who has over 27 years of experience in the IT industry, and Mr. Chu, who has over 23 years of experience in the IT industry. We are of the view that the vision of our management team has been fundamental to our success. For the biographical details of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

Our Directors are supported by our senior management who had been working with us for an average of approximately 12 years. As at the Latest Practicable Date, 116 of our employees were accredited with over 500 sales and technical-related qualifications of more than 200 types in respect of certain hardware and software by the manufacturers.

BUSINESS

We have expanded our capabilities and service portfolio with particular regard to public sector projects. Due to our long-term experience of public sector projects, we have the capability of meeting the needs of the market. We also have a dedicated team of sales responsible for public sector projects. Therefore, we are able to understand the needs of public sector clients and provide them with advice on the latest market trends based on the competent workforce.

We also provide orientation sessions when our employees first join us and other training courses held onsite or externally to promote overall efficiency, employee loyalty and retention. We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the market, complemented by our employees, will enable us to assess market trends, understand the needs of our clients and ensure quality of our service. In addition, with the guidance of our management team, we expect that the one-stop services provided by our Group will meet the ever-changing needs of the market demand, and thus reinforce our market position, allowing us to capture more business opportunities.

BUSINESS STRATEGIES

Having considered the benefits of undertaking large-scale contracts, such as the enhancement of public awareness and the likely credit worthiness of the clients of such contracts, it has been part of our business strategy during the Track Record Period to undertake more large-scale contracts. The number of contracts undertaken which have a contract sum of HK\$10 million or above increased from three during the year ended 31 March 2014 to 12 during the year ended 31 March 2016. The percentage of revenue attributable to contracts with a contract sum of HK\$10 million or above amounted to approximately 2.2%, 5.0%, 8.9% and 10.2% of our total revenue for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

Through the Listing, we would like to significantly enhance our corporate governance and transparency in order to (i) continue our current business strategy of undertaking large-scale contracts; (ii) maintain and improve our quality of services to clients; (iii) improve our efficiency and achieve cost control; and (iv) strengthen our market position.

Accordingly, we intend to implement the following business strategies:

Recruitment and training of employees

We consider that our success is attributable to our employees and failure to recruit and retain eligible employees is one of our primary risk factors. Details of such risk factor are set out in the section headed “Risk factors — Risks relating to our Group’s business and operations — We are dependent upon recruiting and retaining eligible employees. Any shortfall in our workforce or increase in direct staff costs may materially impede our business operations and adversely affect our financial results” in this prospectus. Accordingly, we intend to continue investing in our employees by (i) recruiting more suitable personnel with the necessary qualifications and experience; and (ii) offering additional training to our existing and new employees.

Enhancing of our capability to undertake large-scale contracts

We believe undertaking large-scale contracts will (i) enhance our profile and public awareness of our Group to attract more potential clients; (ii) provide a stable source of revenue to our Group over a measurable period of time; and (iii) improve the quality of our trade receivables due to the likely credit worthiness of the clients of such contracts. As such, considering the commercial and strategic benefits of undertaking large-scale contracts of both the public and private sectors, we plan to undertake more large-scale contracts in the future.

It is common that in view of the large contract sum involved, clients, in particular the Hong Kong Government, would require us to provide performance securities in large-scale contracts. As the provision of performance securities may lead to cash outflows from our Group, our financial position may affect our capability to undertake large-scale contracts. For details of such risk factor, please refer to the section headed “Risk factors — Risks relating to our Group’s business and operations — We may record net cash outflows during the execution of IT infrastructure solutions service contracts and may not have sufficient working capital if we take up too many significant contracts in the future, which may affect our financial position” in this prospectus. We believe that the net proceeds from the Global Offering will strengthen our Group’s available financial resources and provide flexibility for us to undertake more large-scale contracts that require provision of performance securities.

Strengthening our marketing efforts

To enhance the public awareness and recognition of our Group, we intend to allocate more resources to strengthen our marketing efforts. We aim to build and enhance our connections with existing and potential clients and the hardware and/or software manufacturers by organising seminars and customer relationship events. We also aim to increase our market visibility and brand recognition by participating in more industry exhibitions and forums and placing advertisements through various platforms, such as prints and the Internet.

Upgrading of our IT management systems

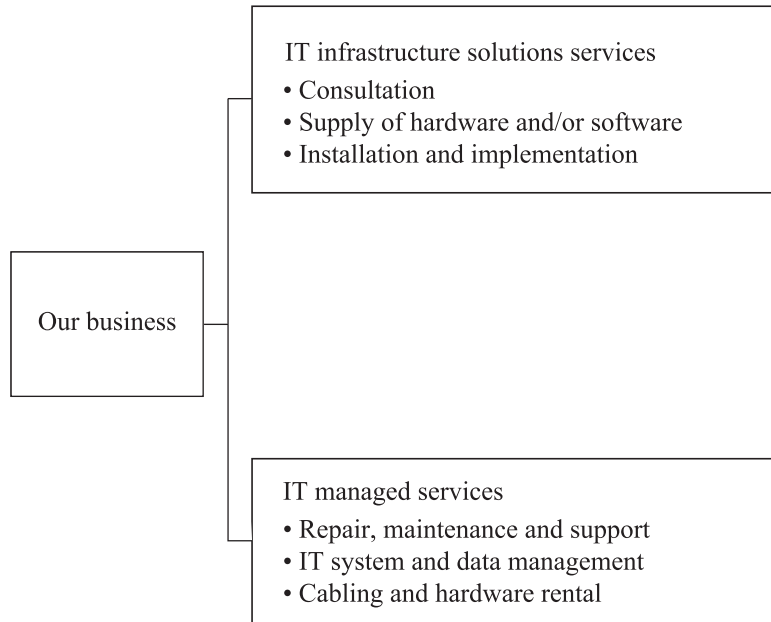
We intend to allocate more resources to, among others, upgrade our IT management systems. As our business continues to develop, we need to improve the productivity of our operations and management to achieve effective cost control. Therefore, we plan to invest in upgrading and implementing our IT management systems relating to our customer relationship, service management and enterprise resources planning systems. Such enhancement is expected to allow us to consolidate all customer-related information electronically, minimise the risk of human error with lower performance efficiency and better assess the environment in which our clients operate their IT system, thereby allowing us to realise the benefits of greater employee productivity through automation, lower staff onboarding and training costs, quicker insights into the performance of our business, and new ways of working with our clients. New features, such as the enabling of online access by our clients to check on their contract status,

BUSINESS

may also be added. We also plan to upgrade our existing servers and network equipment to support our business expansion. For details, please refer to the section headed “Future plans and use of proceeds — Implementation plan” in this prospectus.

OUR PRINCIPAL BUSINESS

We provide (i) IT infrastructure solutions services; and (ii) IT managed services to our clients. The following diagram illustrates the categories and major types of services provided by us:



IT infrastructure solutions services

We generally deliver to our clients IT infrastructure solutions services which usually entail (i) assessment of our clients’ needs and existing IT infrastructure; (ii) design of solutions; and/or (iii) integration of the hardware and software procured from a number of manufacturers or authorised distributors.

As an authorised reseller of a number of well-known hardware and/or software manufacturers, our clients are able to procure a variety of hardware and software directly from us. In addition, upon request of our clients, we may be responsible for formulating and implementing data migration and installation plans in order to integrate our clients’ existing hardware, software and/or IT systems with the new hardware and/or software procured by us physically and functionally.

Depending on the specifications or needs of our clients, we may also provide advice to our clients in optimising, updating and/or changing their existing IT infrastructure. We design and build customised IT infrastructure solutions with different platforms, storage systems, security systems, software, network equipment, etc. procured from different suppliers.

BUSINESS

During the Track Record Period, we provided, among other things, the following IT infrastructure solutions to our clients:

- virtualisation: the use of software to virtualise physical devices or resources, such as servers, storage devices, desktops or networks, allowing multiple operating systems and applications to run on the same server at the same time;
- cloud computing: a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (such as servers, networks, storages and applications) that can be rapidly provisioned and released with minimal effort;
- e-mail and collaboration: we design and integrate the email, calendar and contact features in personal computers and/or mobile devices with voice and video communications, social networking and workflow to facilitate workplace collaboration; and
- cyber security: the protection of computers data, networks and programmes against unintended or unauthorised access, attack, change or destruction.

IT managed services

Our IT managed services generally involve the provision of maintenance and/or support services on our clients' IT systems for a fixed service period.

Our IT managed services may come in the form of (i) warranty services in addition to the original warranty when the clients consider the original warranty is insufficient; or (ii) maintenance and support services after expiration of warranty. We may also be engaged by clients for whom we had not previously provided any services to provide IT managed services for their existing IT systems.

We are responsible for maintaining our clients' IT systems in good working order. We may take an overall responsibility in managing and monitoring our clients' IT systems or we may act upon specific IT issues as identified by our clients. Our service scope is pre-agreed by our clients, making reference to certain performance targets, which generally includes our response time, service level target and type of support provided as part of our services.

During the Track Record Period, we provided, among other things, the following IT managed services to our clients:

- hardware and system maintenance and support services: we repair hardware which may also involve the selling of spare parts as replacement. We also manage and support servers, storage, networks, desktops and security systems. Depending on the hardware or software involved and the types of qualification, skill, resources or equipment required, we may subcontract the maintenance and support work to manufacturers and/or their authorised service providers;
- cabling, hardware rental, data erasure and system relocation services: we provide cabling services, rent out our hardware, recover or erase data from specific storages and arrange the relocation of our clients' IT systems; and

BUSINESS

- IT outsourcing and secondment services: we may engage external IT human resources providers to arrange certain types of IT professionals or designate our own employees to work for our clients for a fixed period of time to carry out a range of maintenance and support services.

MAJOR QUALIFICATIONS AND AWARDS

Save for our business registration certificates and the licences for strategic commodities, our Hong Kong Legal Counsel confirmed that our Group is not required to obtain or hold any industry-specific qualification, licence or permit for carrying out our business in Hong Kong.

Our Directors also confirmed that our Macau subsidiary was not required to obtain or hold any industry-specific qualification, licence or permit for carrying out our business in Macau during the Track Record Period.

The following table sets forth our major contracting qualifications for undertaking Hong Kong Government contracts and certifications in Hong Kong as at the Latest Practicable Date:

<u>Relevant authority</u>	<u>Description</u>	<u>Category</u>	<u>Holder</u>	<u>Period of validity</u>
Government Logistics Department	Supply of network products and server systems and provision of related services to various government departments	Categories A and B <i>(Note 1)</i>	Microware Ltd.	36 months effective from 1 February 2016
	Supply of personal computer equipment and the provision of related services to various government departments	Categories A, B and C <i>(Note 2)</i>	Microware Ltd.	36 months effective from 1 January 2017
SGS United Kingdom Ltd	Service management system on the provision of hardware and system maintenance services	ISO/IEC 20000-1: 2011	Microware Ltd.	17 February 2015 to 17 February 2018
	Information security management system on the provision of hardware and system maintenance services	ISO/IEC 27001: 2013	Microware Ltd.	17 February 2015 to 17 February 2018

Notes:

1. Category A refers to the supply, delivery, installation, commissioning and maintenance of network products. Category B refers to the supply, delivery, installation, commissioning and maintenance of servers and related accessories, storage subsystems, basic software, peripherals and related services.
2. Category A refers to the supply, delivery, installation, commissioning and maintenance of computer equipment, software items, printers, other peripherals and support services. Category B refers to the provision of add-on software. Category C refers to the provision of printers.

BUSINESS

The following table sets forth our major awards and recognitions received from hardware and/or software manufacturers:

<u>Year for which we were awarded</u>	<u>Award</u>	<u>Awarding body</u>
2011	Top Growth CSA	Citrix Systems, Inc.
	Outstanding Performance on Partner-Led Business (PLB)	Hewlett-Packard HK SAR Limited
	Solution Provider of the Year	IBM China/Hong Kong Limited
	Top Contributor Award (System x — Reseller)	IBM China/Hong Kong Limited
	Best Large Account Reseller of the Year	Microsoft Corporation
	Partner of the Year	Sophos Group plc
	2012	Top Adobe Acrobat Reseller of the Year
Best Performance Partner		APC by Schneider Electric
The Best Cross Selling CSA		Citrix Systems, Inc.
Diamond Value Partner		IBM China/Hong Kong Limited
Solution Provider of the Year		IBM China/Hong Kong Limited
Top Contributor Award (System x — Reseller)		IBM China/Hong Kong Limited
Outstanding Dealer Award		Lenovo (Hong Kong) Limited
Partner of the Year		Sophos Group plc
Hong Kong ProPartner of the Year		Veeam Software
2013		Best Performance Award
	Best Performance in Printing and Personal Systems Group — Value Solutions	Hewlett-Packard Company
	HP ExpertOne Skills Achievement Award	Hewlett-Packard Company

BUSINESS

<u>Year for which we were awarded</u>	<u>Award</u>	<u>Awarding body</u>
2013	Top Performing Enterprise Group Reseller — Partner-Led Business	Hewlett-Packard Company
	Diamond Value Partner	IBM China/Hong Kong Limited
	Gold Certificate for IBM Blue Ocean Business Partnership on High Volume Products (Power Systems and System Storage)	IBM China/Hong Kong Limited
	Top Contributor Award (System x — Reseller)	IBM China/Hong Kong Limited
	Best Large Account Reseller of the Year	Microsoft Corporation
	Hong Kong ProPartner of the Year	Veeam Software
2014	Top Adobe Acrobat Reseller of the Year	Adobe Systems Incorporated
	Top Sales Partner	APC by Schneider Electric
	Best Performance in Printing and Personal Systems Group — Partner-Led Business	Hewlett-Packard Company
	Top Performing Enterprise Group Reseller — Server	Hewlett-Packard Company
	Top Performing Enterprise Group Reseller — Technology Service	Hewlett-Packard Company
	Diamond Value Partner	IBM China/Hong Kong Limited
	Best Academic Partner of the Year	Microsoft Corporation
	Partner of the Year	Sophos Group plc
	Hong Kong ProPartner of the Year	Veeam Software
	Cloud Operations Management Partner of the Year	VMware Inc.

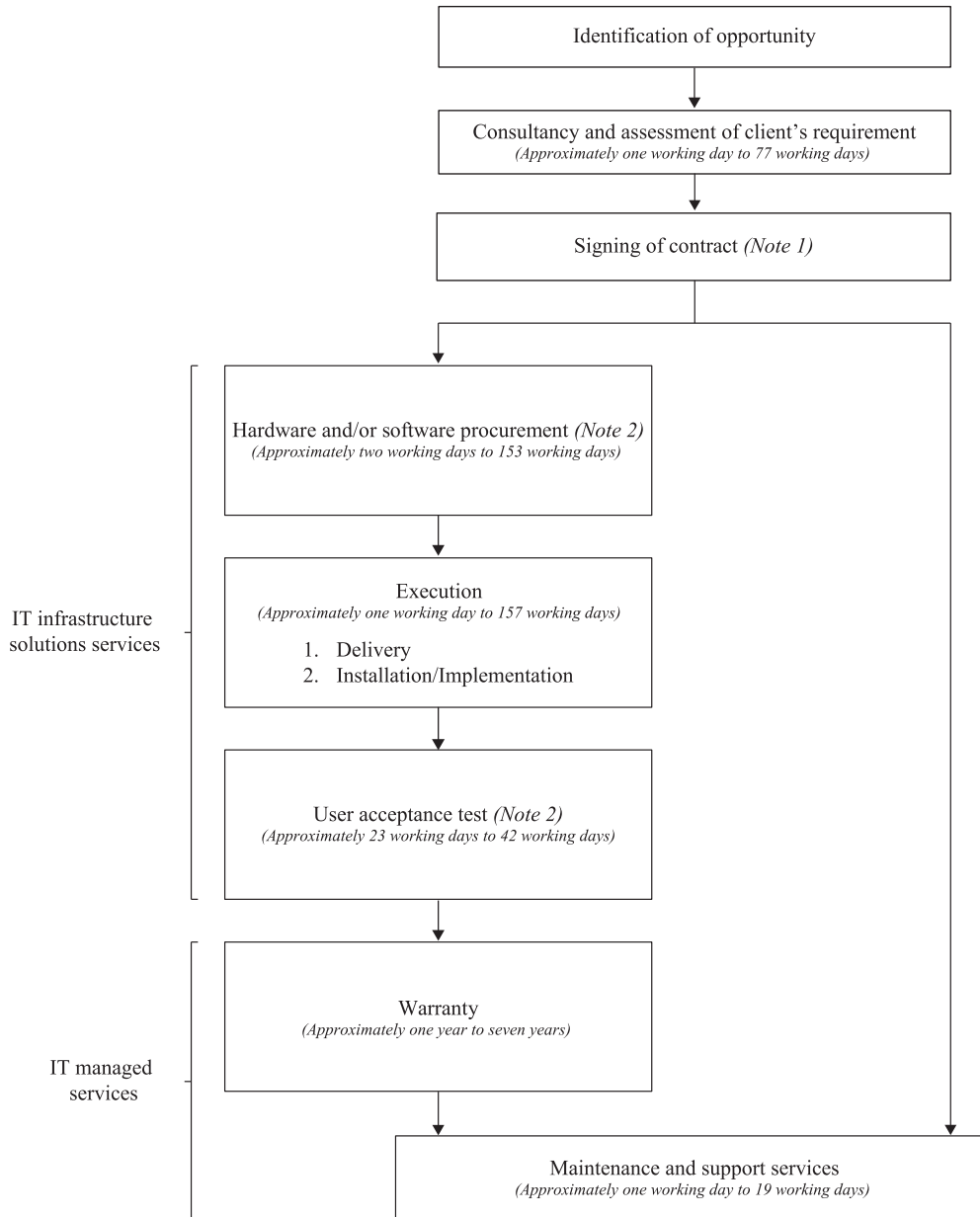
BUSINESS

<u>Year for which we were awarded</u>	<u>Award</u>	<u>Awarding body</u>
2015	Candefero Cloud: Managed Services Partner of the Year	Canalys
	Top Performing Hewlett Packard Enterprise — Overall Hardware Contributor	Hewlett Packard Enterprise
	Top Performing Hewlett Packard Enterprise — SMB Storage	Hewlett Packard Enterprise
	Top Performing Hewlett Packard Enterprise — Technology Services	Hewlett Packard Enterprise
	HP Enterprise Group Platinum Partner	Hewlett-Packard HK SAR Limited
	Printing and Personal Systems Group Gold Partner	Hewlett-Packard HK SAR Limited
	Outstanding Performance HP Inc Reseller — Partner-Led Business	HP Inc.
	Outstanding Dealer Award	Lenovo (Hong Kong) Limited
	Best Academic Partner of the Year	Microsoft Corporation
	Best Licensing Solution Partner of the Year	Microsoft Corporation
Platform Best Selling Award	Red Hat, Inc.	
2016	Outstanding Performance HP Inc Reseller — Partner-Led Business	HP Inc.
	Top Performer of the Year	Sophos Group plc.
	Strategic ProPartner of the Year (First half of the year)	Veeam Software
	Best Reseller of the Year 2016 — Platform	Red Hat, Inc.
	Top Performing Hewlett Packard Enterprise — Servers	Hewlett Packard Enterprise
Top Performing Hewlett Packard Enterprise — Technology Services Best Reseller	Hewlett Packard Enterprise	

BUSINESS

WORKFLOW OF OUR BUSINESS

The general operation and timeline for our provision of (i) IT infrastructure solutions services; and (ii) IT managed services are illustrated by the following chart and key stages:



Notes:

1. During the Track Record Period, the typical contract period of our IT infrastructure solutions service contracts (excluding the warranty period) varied from approximately one working day to 36 months and the typical contract period of our IT managed service contracts varied from approximately two working days to five years.
2. Depending on the specification of each contract, hardware and/or software procurement and user acceptance test may not always be applicable in our IT infrastructure solutions services.

BUSINESS

Identification of opportunity

Our contracts are identified mainly through (i) tendering; (ii) pitching activities; and (iii) referrals.

We generally identify tender invitations from the website of the Hong Kong Government, tender invitation letters or email notifications of IT open tenders from our potential clients. For details of our tendering process, please refer to the section headed “Business — Sales and marketing — Tendering” in this prospectus.

Our sales team also carry out pitching activities by presenting our corporate portfolio to potential clients. We receive request for proposals/quotations or referrals from previous clients, existing clients and other third parties from different industries. At times, when we act as a subcontractor, we may enter into a teaming agreement with a main contractor whereby we agree to negotiate in good faith a subcontracting agreement with the main contractor if a contract is awarded to it.

The following table sets forth a breakdown of our revenue attributable to contracts obtained through tendering, Standing Offer Agreements and other channels during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tendering	123,771	11.4	149,000	14.0	209,607	19.5	80,019	18.3
Standing Offer Agreements (Note 1)	218,096	20.2	173,504	16.3	173,246	16.1	32,522	7.4
Others (Note 2)	740,220	68.4	741,648	69.7	692,638	64.4	324,294	74.3
Total:	<u>1,082,087</u>	<u>100.0</u>	<u>1,064,152</u>	<u>100.0</u>	<u>1,075,491</u>	<u>100.0</u>	<u>436,835</u>	<u>100.0</u>

Notes:

- As one of the approved contractors of the Hong Kong Government under the Standing Offer Agreements, we have been invited to provide quotations to various departments and bureaus of the Hong Kong Government for their individual IT assignments. For details, please refer to the section headed “Business — Sales and marketing — Tendering”.
- Others include the revenue attributable to contracts obtained through pitching activities and/or referrals.

Consultancy and assessment of client's requirement

After we have obtained the tender documents or requirements from our potential client, a project team shall generally be responsible for the preliminary assessment. Depending on the size of the contract and the type and complexity of the work involved, the number and/or composition of employees involved varies. We will commence preliminary work, such as solution feasibility assessment, lining up with subcontractor(s) or supplier(s) (if necessary) and obtaining pricing

BUSINESS

information of hardware and/or software to provide preliminary costs of the pitching proposal for our senior management's consideration to assess whether our Group would bid for or undertake the contract.

At times, our client may specify certain hardware and/or software suppliers or certain brands of products or specific products. As confirmed by our Directors, during the Track Record Period, we negotiated the service fee, prices and terms with all the suppliers and subcontractors on an arm's length basis and on normal commercial terms.

The pitching proposal generally includes recommendations and feature and function descriptions of the hardware, software and/or IT infrastructure solution.

After the submission of our proposal, we may receive enquires from our potential client regarding our proposal. We then follow up with the potential client to make clarifications.

At this stage, we and our client may agree on (i) the scope of work; (ii) the performance targets; (iii) the type and scope of user acceptance tests; and (iv) the service fee, particulars of which would be incorporated in the project plan after signing of contract.

From time to time, we may be required to provide demonstration services in relation to the proposed IT infrastructure solutions.

Signing of contract

If our potential client approves our pitching proposal or accepts our tender submission, a legally binding contract will be entered into between our client and us. During the Track Record Period, the contracts we entered into with our clients generally contained the following summarised terms:

Contract period : For IT infrastructure solutions services, the contractual period is generally dependent upon the delivery period for procurement of hardware and/or software, or the completion of milestones if installation/implementation is involved.

For IT managed services, a fixed contractual period is generally provided.

Payment : For IT infrastructure solutions services, the contract fee is generally a fixed fee, payable at a lump sum or according to the payment schedules.

For IT managed services, the contract fee is generally a fixed fee, payable at an annual lump sum or on a quarterly basis.

BUSINESS

- Client's general responsibilities : For IT infrastructure solutions services, clients are recommended to make necessary backup of data in case of any issue(s).
- For IT managed services, clients are required to make necessary backup of data before commencement of the service or undertake that hardware are in good working condition on the commencement date of the service.
- Delivery : The hardware and/or software shall be delivered within a fixed period of time, subject to the manufacturer's delivery.
- Liability : Any liability for loss or damage arising from the contract shall be limited to the amount of the contract fee.
- Termination : The contract may generally be terminated (i) if either party commits any material breach of the contract which is not remedied within a specified period of time upon receiving written notice from the innocent party; (ii) if either party gives prior written notice; or (iii) if provision of services has not commenced and there is mutual agreement.

We usually do not impose any contractual term in connection with cost fluctuation. Any increase in cost during the contractual term is typically borne by us. Please refer to the section headed "Risk factors — Risks relating to our Group's business and operations — We may encounter cost overruns or delays in our IT infrastructure solutions service contracts, which may materially and adversely affect our business, financial position and results of operation" in this prospectus.

During the Track Record Period, there had not been any early termination of contracts which led to the payment of any material compensation or penalty by our Group due to any of our defaults.

Hardware and/or software procurement

Depending on the requirements of our client, we may have to procure hardware and/or software.

We are responsible for ensuring that the third party products procured conform to the system requirements of our client.

BUSINESS

Our sales team and project team monitor the shipment and logistic progress. The third party products procured are normally delivered directly to our warehouse by our suppliers, which we will check before they are delivered to our clients. We generally engage third party logistics providers for such deliveries. For details of our inventory management, please refer to the section headed “Business — Inventory management” in this prospectus.

Engagement of subcontractors (if necessary)

Depending on the availability of our labour resources and if considered appropriate, we may engage subcontractors. We are responsible for the standard of services provided by our subcontractors. For details, please refer to the section headed “Business — Suppliers — Subcontracting arrangement” in this prospectus.

Execution

Based on the analysis conducted and the pitching proposal, our project team prepares for our client’s approval a project plan, containing details of the key tasks and milestones for the project, including the committed resources for each milestone of the project.

We generally supply our client with the project plan before delivery of the third party products to enable our client to plan and prepare its site.

Upon notification of completion of preparation of the site and our inspection, our team will then be responsible for arranging delivery of and installation of the third party products procured and undergoing configuration, customisation and integration of the new and existing hardware and/or software following the project plan.

User acceptance test

Prior to the carrying out of the user acceptance tests, reasonable amendments may be made to the specifications as set out in the project plan upon request of the client.

Except for the Hong Kong Government contracts which we are also required to perform the installation test and the reliability test, we generally carry out a function test followed by a nursing period for our clients.

The installation test is carried out to determine if the hardware and/or software are operating in full and proper working order. The reliability test is carried out using data chosen and provided by our client for a specified period of time to determine if the hardware, software and/or the implemented IT infrastructure solution are operating in conformity with the reliability levels. The function test is carried out to determine if the hardware, software and/or the implemented IT infrastructure solution are operating in accordance with the performance targets and specifications.

Any problems found during the test(s) are recorded and fixed by our project team. Upon passing the user acceptance test(s), the hardware, software and/or IT infrastructure solution will be operated by our client within a nursing period. The nursing period generally runs for one month to

three months during which any issue identified not owing to our client's fault or which falls within the project plan will be fixed or rectified by us. Depending on the need of our client, user training may be provided. Upon completion of the nursing period, our client will, either accept by issuing an acceptance certificate to us or give instructions in writing to us specifying all the work which is required to be done by us before such acceptance certificate can be issued. Generally, the accepted hardware, software and/or IT infrastructure solution is formally released upon receipt of final payment.

Warranty

The hardware and software components generally come with original warranty offered by manufacturers which usually range from one year to three years. In the event that there are any defects with the hardware and/or software under the original warranty, the manufacturers are responsible for the rectification of defects or replacement at their costs.

Apart from original warranty, we may also offer as part of our IT managed services, warranty services which are additional to the original warranty offered by the manufacturers and may be extended beyond the original warranty period. We charge our client a contract fee for such warranty services which is generally a fixed fee and payable at an annual lump sum or on a quarterly basis in advance. The warranty period offered by us is usually for a period of one year and is renewable annually. During the warranty period, we shall generally carry out problem diagnostics, bugs and technical errors fixes or hardware replacement. Depending on the hardware and/or software involved, we may subcontract part of the maintenance work to the manufacturers.

Our warranty services do not include repairing or making good errors which result from (i) our client's neglect or misuse of hardware or their failure to operate hardware in accordance with its intended purpose or instruction manual; (ii) relocation or transportation of hardware (unless carried out by us); (iii) accidents or natural disasters; (iv) any alteration/modification to or maintenance of hardware without our consent; and (v) any update of firmware.

Since the revenue from our warranty services are recognised over the service period under respective contracts and the subcontracting fee and other expenses are recognised as expenses when incurred during the relevant service period, no provisions for warranties had been recognised during the Track Record Period.

Our Directors confirm that we had not received any request for any material refund and did not have any product liability claims resulting from the sale of defective hardware and/or software during the Track Record Period.

Maintenance and support services

After expiration of the warranty, our client may still engage us for maintenance and support services.

BUSINESS

We provide a dedicated hotline as first tier contact for our client. Once our client encounters a problem with the IT systems, they would contact our support helpdesk through telephone or email. Our helpdesk representative will then create a job number or service order and despatch our client's request to the available execution personnel of an assigned team to answer hardware problems or coordinate problem reporting. A client is generally assigned to a team based on its geographical location. System log are gathered to conduct diagnosis. We may also investigate the problem through remote access to our client's systems. If such problem cannot be resolved over the telephone or email, we may have to provide on-site support. When the problems are resolved, we may have to prepare reports to our client.

In case of hardware maintenance, we may carry out inspection on site and if the defects can only be fixed by the hardware manufacturer, we shall have to send the hardware to the manufacturer for maintenance. Subject to the agreement, we may have to loan hardware to our client to replace the faulty hardware temporarily. In case of IT system maintenance, we may first identify the cause and assess its severity and impact, and then we shall recommend solutions, implement them and carry out regression test.

We also carry out work such as user account management, advisory on system performance, server hardware and network equipment troubleshooting, data backup and security management. We may monitor, manage and test from time to time, if requested, the whole or designated part of the IT system of our client. Based on the monitoring conducted, we periodically provide our client with reports on the latest status and performance of the IT system. We may also answer questions from and advise the users of our client on the usage of the IT system.

SALES AND MARKETING

Marketing policy

We had 10 marketing personnel as at the Latest Practicable Date. We regularly liaise with the hardware and/or software manufacturers and authorised distributors in order to discuss marketing activity plans and marketing funds for promoting their products.

From time to time, we would arrange for advertisement placement in different channels for our services, such as event organisation, the Internet and publications. We keep our existing and potential clients informed of our recent developments by updating our website and distributing materials in relation to our background and corporate portfolio. We also participate in industry-related seminars and forums in order to promote our services and to keep up with the relevant development trends of our industry.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, advertising expenses incurred by our Group amounted to approximately HK\$0.2 million, HK\$0.8 million, HK\$0.6 million and HK\$0.3 million, representing approximately 0.02%, 0.08%, 0.05% and 0.07% of our total revenue, respectively.

BUSINESS

Our marketing personnel receive marketing commission and incentive based on certain percentages of the monthly revenue and gross profit recognised by our Group for particular products as our marketing personnel are involved in promoting products and generating sales. Our sales personnel also receive sales commission and incentives from us and, from time to time, certain manufacturers and authorised distributors through particular product incentive programmes. In general, our commission for each sales personnel is calculated based on a certain percentage of the monthly or quarterly gross profit recognised by our Group as adjusted in accordance with a fixed scale. The type of incentive programme and the nature of the incentive from manufacturers and authorised distributors varies, but all shall be first approved by our senior management and dealt through and recorded by us.

Tendering

On receipt of a tender, we evaluate and conduct an analysis of the tender documents to identify the scope of work, cost, schedule and technical requirements. The time which the tender review process takes varies from case to case, and depends on specific tender requirements of a contract. Our senior management shall review and approve any tender before our confirmation of the tender price and submission of form of tender.

In evaluating a tender, we consider, among other factors, the type and scale of the contract, our resources and the potential value to our business profile. We price a tender by making reference to our previous tender records and the latest price lists of suppliers and subcontractors.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, approximately 20.2%, 16.3%, 16.1% and 7.4% of our total revenue was generated from the Hong Kong Government through the Standing Offer Agreements, respectively. For Hong Kong Government contracts, we are generally engaged through a two-stage process. After we are selected as one of the approved contractors through open tendering, we enter into a Standing Offer Agreement with the Hong Kong Government. Within the contract period of the Standing Offer Agreement, various departments and bureaus of the Hong Kong Government shall invite quotations for individual IT assignments from the approved contractors. Contracts will normally be awarded to the approved contractor meeting the technical requirements and attaining the highest overall score based on (i) the possession of certifications; (ii) past experience; (iii) the qualifications, skills and experience of employees proposed to be deployed to carry out the contractual obligations; and (iv) the proposed work approach or methodology. Given the large number of projects handled by our Group and the large number of customers our Group served, we were unable to maintain a comprehensive record of our tender success rates during the Track Record Period.

For details of approved contractors' requirement and our qualification, please refer to the section headed "Business — Major qualifications and awards" in this prospectus.

Seasonality

Our business is subject to seasonal fluctuations. For details, please refer to the section headed “Financial information — Key factors affecting our results of operations — Seasonality” in this prospectus.

Pricing policy

The terms of our contracts, including the service fee, are negotiated between our clients and our Group and are determined on a case-by-case basis. During the Track Record Period, the service fees for each of our contracts varied significantly as the types and specifications of the services provided to different clients varied significantly.

Our services are generally priced on a cost-plus basis. When any of our services are involved, in formulating our service fees, we generally take into account the costs for carrying out the contract with reference to the estimated time to be spent and the scale of the contract, such as the delivery timeline, payment terms, service duration and cost.

The contract fee for our IT infrastructure solutions service contracts is generally a fixed fee, payable at a lump sum or according to the payment schedules. The contract fee for our IT managed services is generally a fixed fee, payable at an annual lump sum or on a quarterly basis.

Credit policy

Our management are responsible for formulating our credit policy and our accounting team is responsible for implementing and monitoring the settlement of our service fees from time to time.

Depending on the type of services provided and the complexity of the contract, we may require our client to settle in one lump sum payment, by way of deposit, or according to the payment schedules set out in the contracts or our proposals for our IT infrastructure solutions services. For those contracts with a payment schedule, we generally require our clients to make payments over three to four stages, which may comprise payment (i) of a deposit of generally 30% of the contract sum upon confirmation of the order; (ii) upon delivery of hardware and/or software; (iii) after completion of the user acceptance test; and/or (iv) at the end of a nursing period. For our IT managed services, the contract fee is generally payable at an annual lump sum or on a quarterly basis. We may require certain clients to settle payment on delivery or make advance payment as part of our credit control. A credit period of 30 days to 60 days was generally granted during the Track Record Period.

Our accounting team closely monitors the settlement status of our trade receivables and regularly reviews the credit terms. During the Track Record Period, net reversal of the allowance for bad and doubtful debts of approximately HK\$0.5 million was credited for the year ended 31 March 2014. Allowance for bad and doubtful debts of approximately HK\$0.8 million, HK\$0.2 million and nil were charged for the years ended 31 March 2015 and 31 March 2016 and the five months ended 31 August 2016, respectively.

BUSINESS

Further details of our credit policy is set out in the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Trade and other receivables, prepayments and deposits” in this prospectus.

CLIENTS

During the Track Record Period, we had a wide and diversified customer base and were not dependent on any single client. Our revenue was mainly generated in Hong Kong, with less than 1% of our revenue being generated in Macau for each of the three years ended 31 March 2016 and the five months ended 31 August 2016. The following table sets forth a breakdown of our revenue by type of clients during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector								
Hong Kong Government (Note 1)	241,003	22.3	194,642	18.3	198,315	18.4	43,691	10.0
Public bodies (Note 2)	70,098	6.5	85,731	8.1	107,892	10.0	29,085	6.7
Educational institutions and non-profit organisations (Note 3)	157,402	14.5	166,833	15.7	167,250	15.6	85,702	19.6
Sub-total	468,503	43.3	447,206	42.0	473,457	44.0	158,478	36.3
Private sector								
Banking and finance	196,527	18.2	185,432	17.4	178,623	16.6	73,770	16.9
IT	52,418	4.8	36,633	3.4	35,473	3.3	9,593	2.2
Telecommunications and media	45,162	4.2	45,711	4.3	40,928	3.8	29,277	6.7
Transportation	72,472	6.7	99,772	9.4	143,308	13.3	73,251	16.8
Others	247,005	22.8	249,398	23.4	203,702	18.9	92,466	21.1
Sub-total	613,584	56.7	616,946	58.0	602,034	56.0	278,357	63.7
Total:	1,082,087	100.0	1,064,152	100.0	1,075,491	100.0	436,835	100.0

Notes:

- Hong Kong Government mainly consisted of departments of the Hong Kong Government.
- Public bodies mainly consisted of authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong, such as the Hospital Authority, the Airport Authority and the Housing Authority.
- Educational institutions and non-profit organisations mainly consisted of primary schools, secondary schools, tertiary educational institutions, charities and political organisations.

BUSINESS

According to the Ipsos Report, the gross profit margin for a company or a contract depends on various factors such as (i) the scope of the services provided; (ii) the types of products procured; and (iii) the types of customers. In the IT infrastructure solutions industry in Hong Kong, it is observed that the gross profit margins for private sector projects are generally higher than the gross profit margins for public sector projects, assuming a similar scope of service is provided and similar types of products are procured for the clients.

A credit period of 30 days to 60 days was generally granted to our clients during the Track Record Period and the payments were generally settled by cheque or bank transfer.

Long-term agreements

During the Track Record Period, save for (i) the IT managed service contracts which were generally entered into on an annual basis; and (ii) framework agreements setting out either our terms of service or the fixing of prices for certain hardware and/or software (both without any purchase commitment), we were engaged specifically on an order-by-order basis with no contractual obligation imposed on our clients to continue procure additional services from us at all or at the same level which they historically have done (other than the original order placed upon the entering into of the contracts). No legally binding long-term agreement with minimum purchase commitment over a specified of time was entered by us during the Track Record Period.

Major clients

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our five largest clients accounted for approximately 10.9%, 13.8%, 20.9% and 20.2% of our revenue, respectively; and our largest client accounted for approximately 3.5%, 4.6%, 7.1% and 9.5% of our revenue, respectively. Our Directors confirmed that our Group had no material dispute with our clients during the Track Record Period.

BUSINESS

The following table sets out the profile of our five largest clients based on the aggregation of revenue attributable to them during the Track Record Period:

For the year ended 31 March 2014

<u>Our client</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate aggregate contributed revenue</u> HK\$'000	<u>Approximate percentage of our total revenue</u> %	<u>Principal business activities</u>	<u>Services provided by our Group</u>
Client A	11 years	37,887	3.5	A statutory body established to manage all public hospitals in Hong Kong	IT infrastructure solutions services and IT managed services
Client B	17 years	21,373	2.0	A vocational and professional education and training provider in Hong Kong	IT infrastructure solutions services and IT managed services
Client C	16 years	20,564	1.9	A Hong Kong Government department responsible for providing leisure and cultural activities	IT infrastructure solutions services and IT managed services
Client D	3 years	19,751	1.8	A consumer division of an American multinational financial services corporation	IT infrastructure solutions services and IT managed services
Client E	16 years	18,083	1.7	A Hong Kong Government department responsible for customs	IT infrastructure solutions services and IT managed services
		<u>117,658</u>	<u>10.9</u>		

For the year ended 31 March 2015

<u>Our client</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate aggregate contributed revenue</u> HK\$'000	<u>Approximate percentage of our total revenue</u> %	<u>Principal business activities</u>	<u>Services provided by our Group</u>
Client A	11 years	48,789	4.6	A statutory body established to manage all public hospitals in Hong Kong	IT infrastructure solutions services and IT managed services
Client F	17 years	40,600	3.8	An international airline registered and based in Hong Kong	IT infrastructure solutions services and IT managed services
Client B	17 years	20,516	1.9	A vocational and professional education and training provider in Hong Kong	IT infrastructure solutions services and IT managed services
Client G	15 years	19,385	1.8	One of the largest state-owned commercial bank groups in the PRC	IT infrastructure solutions services and IT managed services
Client H	18 years	17,588	1.7	A professional organisation which provides horse racing, sporting and betting entertainment in Hong Kong	IT infrastructure solutions services and IT managed services
		<u>146,878</u>	<u>13.8</u>		

BUSINESS

For the year ended 31 March 2016

<u>Our client</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate aggregate contributed revenue</u> HK\$'000	<u>Approximate percentage of our total revenue</u> %	<u>Principal business activities</u>	<u>Services provided by our Group</u>
Client F	17 years	76,076	7.1	An international airline registered and based in Hong Kong	IT infrastructure solutions services and IT managed services
Client A	11 years	56,247	5.2	A statutory body established to manage all public hospitals in Hong Kong	IT infrastructure solutions services and IT managed services
Client H	18 years	37,207	3.5	A professional organisation which provides horse racing, sporting and betting entertainment in Hong Kong	IT infrastructure solutions services and IT managed services
Client B	17 years	29,603	2.8	A vocational and professional education and training provider in Hong Kong	IT infrastructure solutions services and IT managed services
Client G	15 years	24,928	2.3	One of the largest state-owned commercial bank groups in the PRC	IT infrastructure solutions services and IT managed services
		<u>224,061</u>	<u>20.9</u>		

For the five months ended 31 August 2016

<u>Our client</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate aggregate contributed revenue</u> HK\$'000	<u>Approximate percentage of our total revenue</u> %	<u>Principal business activities</u>	<u>Services provided by our Group</u>
Client F	17 years	41,581	9.5	An international airline registered and based in Hong Kong	IT infrastructure solution services and IT managed services
Client H	18 years	14,076	3.2	A professional organization which provides horse racing, sporting and betting entertainment in Hong Kong	IT infrastructure solution services and IT managed services
Client I	16 years	11,411	2.6	A Hong Kong based corporation which operates a securities market and a derivatives market in Hong Kong	IT infrastructure solution services and IT managed services
Client J	11 years	11,028	2.5	An international container transport and logistics service provider based in Hong Kong	IT infrastructure solution services and IT managed services
Client K	11 years	10,302	2.4	An university in Hong Kong	IT infrastructure solution services and IT managed services
		<u>88,398</u>	<u>20.2</u>		

BUSINESS

None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest clients during the Track Record Period. During the Track Record Period, our Group had not experienced any major disruption of business due to material delay or default of payment by our clients due to their financial difficulties. Our Directors further confirmed that they were not aware of any material financial difficulties experienced by any of our major clients that may materially affect our Group's business.

SUPPLIERS

During the Track Record Period, our suppliers mainly included hardware and/or software manufacturers, authorised distributors and other IT service providers which mainly act as our subcontractors.

The following table sets forth our criteria for selecting and evaluating suppliers:

<u>Factor</u>	<u>Selection and evaluation criteria</u>
Pricing	Competitive pricing is one component of the overall evaluation.
Quality of work	The past records of suppliers, quality certifications and qualifications of suppliers and comments from others should be considered in the evaluation.
Performance capability	Adequacy of resources such as equipment and manpower to meet the performance requirements of contracts should also be considered.

In general, our suppliers grant us a credit period of up to 95 days and we settle our payment by cheque or bank transfer.

Long-term agreements

Save for the resellership agreements disclosed below, we did not enter into any long-term agreement with our suppliers during the Track Record Period.

Supplier selection

Due to the nature of the IT industry, concentration on particular suppliers is common in our industry as each product or service may only be offered by a handful of manufacturers with dominating presence in the IT industry, thereby minimising our choice of suppliers. Prospective suppliers are identified by our employees based on internal information and publicly available information found on the Internet and product catalogues. For certain products or services, we may obtain more information from suppliers.

BUSINESS

Otherwise, our procurement personnel are involved in the most of the supplier selection process generally based on the selection criteria set out above. For hardware and software, we mainly procure from the manufacturers directly or through their authorised distributors. Our procurement personnel are responsible for reviewing and comparing, among other things, the price and quality of the products or services offered by the suppliers and the performance capability of the suppliers. Quotations are obtained from other suppliers from time to time to promote cost control.

Once a supplier has been chosen, we shall execute a contract with the supplier, either in the form of a purchase order or a contract covering the statement of work, schedule, service term, pricing and payment, acceptance of products, warranty and termination.

During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers.

Resellership programmes

As at the Latest Practicable Date, in Hong Kong, we were one of the highest-ranking authorised resellers of 11 hardware and/or software manufacturers. We had over four years of business relationships with most of such manufacturers.

We were recognised by the manufacturers as the highest-ranking authorised reseller when we meet certain benchmarks set by them, such as (i) our actual sales volume each year; (ii) our technical capabilities and knowledge; and (iii) our service quality. Through the resellership programmes, we were also given resources and support, such as marketing funds and technical support, in promoting products of the manufacturers, implementing the IT infrastructure solutions and training our employees.

As at the Latest Practicable Date, we had entered into over 30 legally binding resellership agreements with a term typically ranging from one year to three years with our manufacturers. Among our over 30 authorised resellerships (17 of which had not specified any contract period in their resellership agreements), (i) four resellership agreements shall expire in the first half of 2017, of which two are being renewed and two shall be renewed before the respective expiry dates; (ii) six resellership agreements shall expire in the second half of 2017; and (iii) six resellership agreements shall expire in 2018. Our Directors believe there will be no difficulty for our Group to renew these resellerships. Our Directors also confirm there had not been any material breach of, early termination of or failure to renew any of the resellership agreements as a result of any default by our Group.

The terms of the resellership agreements vary, but generally include: (i) non-exclusive right to resell; (ii) type of product; (iii) geographical coverage; (iv) intellectual property rights; (v) termination and renewal; (vi) indemnification and limitation of liability; and (vii) confidentiality. In general, either party may terminate the resellership agreement with prior written notice without

cause; or if the other party is in material breach of the agreement which is not rectified in accordance with the agreement with prior written notice; or if our Group fails to meet the criteria or no longer qualifies for the resellership programme.

We are authorised to sell a wide variety of hardware and/or software of our manufacturers ranging from printers, scanners, adapters, monitors and toner cartridges to software such as applications and platform, to even disk drive and desktop. Under most of the resellership agreements with our manufacturers, there is no exhaustive list of products which our Group is authorised to sell. The prices of products are not fixed in these resellership agreements.

Under some incentive programmes implemented by our manufacturers, certain targets such as total revenue generated from sales of their products over a period of time would be set by our manufacturers. Such targets vary with different manufacturers. Although no compensation or penalty would be imposed by our manufacturers on us should we fail to meet the performance targets in any year, our ranking as authorised reseller of such manufacturers could be affected. During the Track Record Period, the resellership agreements did not impose any mandatory minimum purchase on our Group. Decrease in ranking would reduce the resources and support offered by our manufacturers to us on an ongoing basis. Further, rewards from incentive programmes implemented by our manufacturers would be reduced and our cost of sales would increase. Nonetheless, our Directors confirm that during the Track Record Period, we had not failed in meeting any performance targets, resulting in which our ranking under the resellership programmes had been affected.

Upon fulfilling certain performance target, our cost of procuring hardware and software from the manufacturers and authorised distributors may be reduced by the cash incentive recognised from the hardware and/or software manufacturers and authorised distributors. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, we recognised cash incentives of approximately HK\$13.5 million, HK\$15.9 million, HK\$18.3 million and HK\$7.4 million, respectively, representing approximately 11.3%, 12.8%, 14.6% and 14.3% of our gross profits during the Track Record Period.

Major suppliers

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, the total purchases from our five largest suppliers accounted for approximately 66.6%, 67.7%, 69.7% and 64.2% of our cost of sales, respectively, while the largest supplier accounted for approximately 18.4%, 16.9%, 20.4% and 20.0% of our cost of sales in the corresponding period.

BUSINESS

The following table sets out the profile of our five largest suppliers based on the total purchases attributable to them during the Track Record Period:

For the year ended 31 March 2014

<u>Our supplier</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate total purchases</u>	<u>Approximate percentage of our cost of sales</u>	<u>Principal business activities</u>	<u>Services or goods provided</u>
		HK\$'000	%		
Supplier A <i>(Note 1)</i>	11 years	176,902	18.4	A Chinese multinational IT company	Hardware
Supplier B	16 years	140,373	14.6	IT products distribution company	Hardware and software
Supplier C <i>(Note 2)</i>	16 years	137,334	14.3	An American multinational IT group which was well-known for its printers	Hardware and software
Supplier D	8 years	126,995	13.2	An American multinational IT group which is well-known for its operating systems	Hardware and software
Supplier E	12 years	59,295	6.1	Computer and technology products distributor	Hardware and software
		<u>640,899</u>	<u>66.6</u>		

For the year ended 31 March 2015

<u>Our supplier</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate total purchases</u>	<u>Approximate percentage of our cost of sales</u>	<u>Principal business activities</u>	<u>Services or goods provided</u>
		HK\$'000	%		
Supplier C <i>(Note 2)</i>	16 years	158,864	16.9	An American multinational IT group which was well-known for its printers	Hardware and software
Supplier D <i>(Note 3)</i>	8 years	143,862	15.3	An American multinational IT group which is well-known for its operating systems	Hardware and software
Supplier A <i>(Note 1)</i>	11 years	137,245	14.6	A Chinese multinational IT company	Hardware
Supplier B	16 years	134,956	14.4	IT products distribution company	Hardware and software
Supplier F	11 years	61,269	6.5	Integrated IT service provider which supplies computer, communication and consumer electronic products	Hardware and software
		<u>636,196</u>	<u>67.7</u>		

BUSINESS

For the year ended 31 March 2016

<u>Our supplier</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate total purchases</u>	<u>Approximate percentage of our cost of sales</u>	<u>Principal business activities</u>	<u>Services or goods provided</u>
		HK\$'000	%		
Supplier D	8 years	193,797	20.4	An American multinational IT group which is well-known for its operating systems	Hardware and software
Supplier C <i>(Note 2)</i>	16 years	162,721	17.1	An American multinational IT group which was well-known for its printers	Hardware and software
Supplier B <i>(Note 4)</i>	16 years	140,266	14.8	IT products distribution company	Hardware and software
Supplier A <i>(Note 1)</i>	11 years	124,840	13.1	A Chinese multinational IT company	Hardware
Supplier G	12 years	40,820	4.3	A Chinese integrated IT service provider	Hardware and software
		<u>662,444</u>	<u>69.7</u>		

For the five months ended 31 August 2016

<u>Our supplier</u>	<u>Approximate years of business relationship with our Group</u>	<u>Approximate total purchases</u>	<u>Approximate percentage of our cost of sales</u>	<u>Principal business activities</u>	<u>Services or goods provided</u>
		HK\$'000	%		
Supplier D	8 years	76,972	20.0	An American multinational IT group which is well-known for its operating systems	Hardware and software
Supplier C <i>(Note 2)</i>	16 years	56,320	14.6	An American multinational IT group which was well-known for its printers	Hardware and software
Supplier A <i>(Note 1)</i>	11 years	51,868	13.5	A Chinese multinational IT company	Hardware
Supplier B	16 years	41,733	10.8	IT products distribution company	Hardware and software
Supplier E	12 years	20,400	5.3	Computer and technology products distributor	Hardware and software
		<u>247,293</u>	<u>64.2</u>		

Notes:

- Supplier A was one of our clients for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, contributing revenue of approximately HK\$0.4 million, HK\$0.4 million, HK\$0.5 million and HK\$74,400, respectively.

BUSINESS

2. Supplier C was one of our clients for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, contributing revenue of approximately HK\$8.8 million, HK\$4.1 million, HK\$10.8 million and HK\$1.7 million, respectively.
3. Supplier D was one of our clients for the year ended 31 March 2015, contributing revenue of approximately HK\$9,990.
4. Supplier B was one of our clients for the year ended 31 March 2016, contributing revenue of approximately HK\$9,600.

None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers during the Track Record Period.

Subcontracting arrangement

In order to minimise our need to employ a large workforce or specialised labour and to increase our flexibility and cost effectiveness in managing our resources, we may subcontract part of or the entire work to our subcontractors. Examples include (i) certain labour-intensive work with low skill requirement, such as cabling work and relocation work; and (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resources or equipment are involved. As at the Latest Practicable Date, we had not entered into any long-term master cooperation agreement with any of our subcontractors.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our subcontracting costs amounted to approximately HK\$27.2 million, HK\$40.1 million, HK\$50.5 million and HK\$17.9 million, respectively, accounting for approximately 2.8%, 4.3%, 5.3% and 4.7% of our cost of sales for the respective years.

We had over two years of business relationships with most of our subcontractors, who were all Independent Third Parties. An internal list of approved subcontractors is maintained and updated from time to time and our subcontractors are selected and their performance were assessed based on their efficiency and adequacy of response, service offering, service level, completion time and pricing. We regularly monitor the progress of the work of our subcontractors in each contract. We are also generally required to ensure the end user will be responsible for the preparation and readiness of its site to enable our subcontractors to carry out their services.

Our service fees are formulated as a markup based on the estimated costs to be incurred for each contract, including the quoted subcontracting fee payable to the subcontractors.

Suppliers with a dual role as our clients

Some of our suppliers were also our clients during the Track Record Period. Generally, some of the hardware and/or software manufacturers who were our suppliers (in the case of hardware and/or software procurement) or subcontractors (in the case of hardware and system maintenance and support services) may also engage us to provide IT managed services to their clients, and we

BUSINESS

may also provide IT infrastructure solutions services to clients who were also suppliers providing us with hardware and/or software. 51 of our suppliers had been our clients during the Track Record Period.

Our total purchases from these clients/suppliers amounted to approximately HK\$729.1 million, HK\$681.7 million, HK\$741.4 million and HK\$279.5 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively, representing approximately 75.8%, 72.5%, 78.1% and 72.6% of our cost of sales, respectively. The revenue derived from these clients for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 were approximately HK\$32.4 million, HK\$22.5 million, HK\$25.6 million and HK\$7.2 million, representing approximately 3.0%, 2.1%, 2.4% and 1.6% of our total revenue, respectively.

INVENTORY MANAGEMENT

We had two warehouses in Hong Kong. For details, please refer to the section headed “Business — Properties” in this prospectus. Delivery time for the hardware ordered by us varied significantly depending on the type of products involved.

In order to minimise our inventory carrying costs and the use of our working capital, we strive to maintain optimal inventory levels. Our inventory primarily consists of generic computer hardware, such as personal computers and servers, and software. For built-to-order products, orders are generally placed with suppliers upon confirmation of orders from clients on a back-to-back basis to reduce our risk exposure to obsolete stock and reduce working capital requirements. Our inventory management process adopts a first-in-first-out policy. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our average inventory turnover days were approximately 13.7 days, 13.3 days, 16.8 days and 16.3 days, respectively. For details of our inventory policy, please refer to the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Inventories” in this prospectus.

The package of each purchased item is inspected for damage upon arrival. Each of our purchased item is then attached with bar code for identification, which is linked to our IT management systems. Inventory are taken out of the warehouse by our designated employees upon receiving the proper invoices. All inventory are verified by reconciling the data recorded on the invoices, delivery notes and our IT management systems.

QUALITY CONTROL

Our quality control and assurance team members were drawn from our execution team and are led by Mr. Au Man Wah, one of our senior management members. For details of his qualification, please refer to the section headed “Directors and senior management” in this prospectus.

We have obtained ISO20000-1 and ISO27001 from a certification company based in Switzerland since 2012. We have in place a quality management system in accordance with the standards of ISO20000-1 and ISO27001 which sets out processes along with guidelines as to how

BUSINESS

these processes are to be applied to our service management system and information security management system so as to ensure consistency and quality work and security, respectively. As part of our quality management system, we would engage external parties to carry out internal review from time to time.

For our IT infrastructure solutions service contracts, upon commencement, our employees will closely monitor the work progress in all respects to ensure that it meets our clients' requirements and is completed in accordance with the schedule. Our senior management is updated regularly on the schedule and work done. We also hold regular meetings with our clients to assess and review the work progress and schedule and to identify and resolve any problems or issues which may arise during the course of carrying out our work.

Performance securities

As security for our due performance, we may be required to provide performance securities, such as performance guarantees and contract deposits, in respect of certain large-scale contracts and under Standing Offer Agreements in respect of Hong Kong Government contracts.

During the Track Record Period, 35 performance guarantees had been given by banks in favour of our clients, of which two were in relation to two Standing Offer Agreements entered into with the Hong Kong Government. Pursuant to such Standing Offer Agreements, our aggregate contract deposit of approximately HK\$3.7 million were secured by two guarantees from a bank within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). Our performance guarantee were given in accordance with our contracts mostly for the Hong Kong Government. As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, the outstanding amounts of performance guarantee of our Group were approximately HK\$16.3 million, HK\$14.3 million, HK\$18.4 million and HK\$16.0 million, respectively.

INFORMATION TECHNOLOGY

We have implemented, among other things, the following IT management systems for the operation of our business:

- service management system — different third party software are used for our services, all of which generally allow us to manage working schedule and business processes, and track inventory and orders;
- accounting system — a third party software which allows us to manage our financials and estimate and track projects and job costs; and
- contract management system — different third party software are used to record the key information of all our contracts, such as commencement date and contract price.

BUSINESS

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, we incurred approximately HK\$2.9 million, HK\$2.5 million, HK\$3.0 million and HK\$1.0 million, respectively, on the repair and maintenance of and capital expenditure on our IT office equipment. During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

CONFIDENTIALITY

During the course of our services, we may have access to and be entrusted with information that is confidential in nature, such as information that relates to our clients' systems, operations, raw data or affairs. We presently rely on various means to protect the confidentiality of our clients' information, including information security policy and the non-disclosure arrangements with our employees and subcontractors.

According to our information security policy, user level accounts, web accounts and email accounts are usually protected by passwords. Our employees must not share passwords with others at any time and must keep them confidential. Confidential information, when printed, faxed or copied, shall be stored in locked cabinets when not in use or outside working hours. We also have a data backup system through which different types of data are backed up and stored in different locations to reduce the risk of data loss. Firewall, anti-virus and anti-spam solutions are also implemented for our IT systems and mobile devices to prevent leakage of confidential information.

Further, our employees and subcontractors are subject to duty of confidentiality to our Company and our clients pursuant to their employment agreements and subcontracting agreements with our Company, respectively. Our employees and subcontractors are required not to disclose any confidential information obtained during the course of our services regarding our clients to any third party and shall not use such confidential information for their own benefit. Our employees will report any IT management system malfunction, potential security weakness and suspected security incident to our management. We would ensure the subcontractors who may further outsource their processing service to a third party shall be required by contract to provide for adequate control from that third party, and monitor the services provided to ensure that the information security terms and conditions are being adhered to and that information security incidents and problems are managed properly.

HEALTH AND WORK SAFETY

We are required to comply with various occupational health and safety laws and regulations in Hong Kong.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the safety laws and regulations in all material respects.











We have taken measures to promote occupational health awareness and safety at workplace. During the Track Record Period, we had not experienced any significant workplace accident.

ENVIRONMENTAL MATTERS

Our Directors believe that the IT infrastructure solutions industry in which we operate our business is not a major source of environmental pollution, the impact of our operations on the environment is minimal. We have taken measures to facilitate the environmental-friendliness of our workplace by encouraging, among other things, a recycle culture within our Group.

During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

INTELLECTUAL PROPERTY

We have branded our business in Hong Kong by using “Microware” as our brand name. As at the Latest Practicable Date, we were the registered owner of the trademarks “MICROWARE”, “”, “”, “”, **Cumulus**, **Cumulus**, **Cumulus**,  **Cumulus**  **Cumulus**  **Cumulus**  **Cumulus**  and **Cumulus**  in Hong Kong.

As at the Latest Practicable Date, we had also registered a number of domain names.

We do not design software. Accordingly, save as disclosed in the section headed “Statutory and general information — B. Information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus, we do not generally own any other types of intellectual property right.

Our Group has established measures to ensure no infringement of third parties’ intellectual property rights and compliance with the relevant licensing terms when software is used. Our employees are prohibited from duplicating, installing or using software in violation of its copyright or licence terms as part of our information security policy. Any employee who is found to be in violation of our information security policy will be subject to disciplinary action.

Our Group mainly procured licensed hardware and software directly from the manufacturers and their authorised distributors. These manufacturers are normally the owners of the intellectual property rights in or relating to the hardware and software we procured and the authorised distributors are permitted to resell those licensed products. For further details, please refer to the section headed “Business — Suppliers — Supplier selection” in this prospectus.

Our employees require prior authorisation in order to install any free software. Evidence of entitlement and deployment of software shall also be retained. It is our policy to respect intellectual property rights and not to use infringing articles in our business, and our employees are provided with an outline on the provisions of the Copyright (Amendment) Ordinance 2007 in our staff handbook. Further, our employees may receive training and/or periodic updates on the latest licensing requirements of the products of our manufacturers. In addition, our Group would notify our manufacturers if we become aware of any situations where there is any illegal or unauthorised use of hardware and/or software.

BUSINESS

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

EMPLOYEES

As at the Latest Practicable Date, we had 283 full-time employees. During the Track Record Period, there had been no material change in the number of our employees. A breakdown of our employees by function, as at the Latest Practicable Date are set forth below:

	<u>As at the Latest Practicable Date</u>
Directors (excluding the independent non-executive Directors) and senior management	8
Sales	70
Execution	149
Marketing and procurement	28
Human resources and administration	17
Accounting	<u>11</u>
Total	<u><u>283</u></u>

We generally recruit our employees from the open market and enter into employment contracts with our employees. We offer remuneration packages which we believe to be competitive to our employees. In addition to salaries, our employees who are retained after the probation period are entitled to medical insurance coverage. 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.

We incurred staff costs (including directors' emoluments) of approximately HK\$102.7 million, HK\$108.3 million, HK\$105.8 million and HK\$43.3 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. We will review the performance of our employees and make reference to such performance reviews in our salary and/or promotional review in order to attract and retain talented employees.

We maintain good working relationship with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date. In order to promote overall efficiency, employee loyalty and retention, our employees are required to attend orientation sessions when they first join us and may attend other training courses held onsite or externally. We have also implemented (i) an educational subsidy programme to our employees to

BUSINESS

allow them to enrol courses relating to IT services from external organisations; (ii) an university education subsidy programme to children of our employees; and (iii) a medical check programme to our employees.

SOCIAL MATTERS AND INSURANCE

For our Hong Kong employees, we maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in the course of employment with us. We also maintain insurance on, among other things, public liability, property, fidelity guarantee, inland transit, money and travelling for our operations in Hong Kong.

In addition, in order to mitigate our contractual risks, we had taken out IT liability insurance covering loss or damage caused by our services or products. Our Directors consider that our insurance coverage is sufficient and in line with normal commercial practice in Hong Kong.

We do not maintain insurance policies against all risks associated with our business. Please see the section headed "Risk factors — Risks relating to our Group's business and operations — We are exposed to potential liabilities for damages or injuries caused by our negligent acts or omissions in providing our services, or defective third party products provided by us" in this prospectus for details.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, the total insurance costs incurred by our Group amounted to approximately HK\$2.1 million, HK\$2.4 million, HK\$2.5 million and HK\$0.8 million, respectively. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not make any material claim in respect of the insurance taken by us.

MARKET AND COMPETITION

According to the Ipsos Report, the IT infrastructure solutions industry in Hong Kong is a highly fragmented industry mostly dominated by a large number of small-scale companies.

We face competition mainly on (i) the maintenance of good customer relationships; (ii) the maintenance of reputation in the market; and (iii) the availability of human resources. Our Directors believe that we will maintain our competitiveness over other competitors and our market position in Hong Kong by strengthening and developing our competitive strengths. Our competitive strengths include the following:

- wide and stable customer base in terms of number and type of recurring clients;
- proven track record in providing customised one-stop services to clients;
- well-established relationships with well-known hardware and/or software manufacturers;

BUSINESS

- leading market position in terms of revenue in Hong Kong and long term presence in the IT infrastructure solutions industry; and
- experienced management team, qualified employees and strong talent pool for public sector projects.

Further analysis of our industry and details of our competitive strengths are set out in the sections headed “Industry overview” and “Business — Competitive strengths” in this prospectus, respectively.

PROPERTIES

As at the Latest Practicable Date, our Hong Kong headquarters with a gross floor area of approximately 48,960 sq.ft., is located at 1st Floor, Century Centre, 44 and 46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, which was one property leased from Microware Properties (a company indirectly wholly owned by Mr. Yang). Our Hong Kong headquarters is used as both our office and warehouse. As at the Latest Practicable Date, we also leased from Mr. Yang one residential property in Hong Kong with a gross floor area of approximately 2,177 sq.ft. together with a car parking space which was used as residence for, and the car parking space was used by Mr. Chu as part of his directors’ emoluments. For details of the transactions, please refer to the section headed “Connected transactions” in this prospectus. During the Track Record Period, our office usage of our Hong Kong headquarters was not in compliance with the permitted usage under the government lease, the deed of mutual covenant of the building and the Buildings Ordinance and was therefore in breach of the relevant provisions of the government lease, the Buildings Ordinance and the deed of mutual covenant. For further details, please refer to the section headed “Business — Legal proceedings and compliance” in this prospectus.

As at the Latest Practicable Date, we also leased two properties in Hong Kong from Independent Third Parties with an aggregate gross floor area of approximately 3,145 sq.ft., which we mainly used as support offices and warehouse.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01B of the 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 interests in land or buildings.

BUSINESS

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Certain risks relating to our operation, details of which are set out in the section headed “Risk factors — Risks relating to our Group’s business and operations” in this prospectus, have been identified by our management. Risk management policies codifying the risk assessment process, risk impact scale and risk management process have accordingly been adopted by us to identify, evaluate and manage risks arising from our operations.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance measures:

- the establishment of an audit committee, which consists of Ms. Li Wai Man, Mr. Cheng Tak Chung and Mr. Li Richard King Hang, to oversee the financial records of our Company and implementation and monitoring of the internal control procedures and risk management systems of our Company. For the biographical details of the members, please refer to the section headed “Directors and senior management” in this prospectus;
- the appointment of Ms. Chan Wai Hing Gloria as our chief financial officer and our company secretary to ensure the compliance of our operation with the relevant laws and regulations. For her biographical details, please refer to the section headed “Directors and senior management” in this prospectus;
- the appointment of Innovax Capital as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules;
- the training and continuous professional development of our Directors and senior management shall be reviewed and monitored; and
- the formulation of whistleblowing policies providing employees with direct access to the audit committee or the Board in case of any suspected, potential or actual non-compliance incidents.

HEDGING ACTIVITIES

During the Track Record Period, we have entered into certain HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in our regular course of business.

For more details of our foreign currency forward contracts and our relevant internal control measures, please refer to the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Derivative financial instruments” in this prospectus and Note 19 to the Accountants’ Report included in Appendix I to this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE**Claims settled, pending or threatened against our Group**

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

During the year ended 31 March 2016, a client had alleged that we had failed to perform and complete certain contractual duties and outstanding work. Accordingly, the client had refused to settle our service fee of HK\$250,000. On 26 August 2016, we received a letter from the client under which it was confirmed that (i) we agreed to deduct HK\$250,000 from our contract sum as a settlement of the dispute; and (ii) each party shall release and discharge each other from all liabilities, losses and or damages that the other party may suffer by reason of any breach and that neither party shall have any claim against the other. As at the Latest Practicable Date, the incident has been fully settled.

In December 2016, we commenced two legal proceedings with two of our clients as plaintiff, under which we claimed an aggregate sum of HK\$539,083 and HK\$513,270, together with the interest and costs of the action, as amount outstanding to us with regard to products sold and delivered. All the outstanding amounts have been received by the Company in February 2017. As at the Latest Practicable Date, the two legal proceedings have been discontinued and fully settled.

Regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, except for the non-compliance incident as follows, we had complied with the applicable laws and regulations in Hong Kong and Macau in all material respects.

Non-compliance with government lease, the deed of mutual covenant and the Buildings Ordinance

Name of entity involved	Particulars of non-compliance	Reason for non-compliance	Remedial action	Estimated/actual fine/penalty
Microware Ltd.	Breach of the land use restriction set out in the government lease, the deed of mutual covenant of the building and section 25(1) of the Buildings Ordinance for failure to notify the Building Authority regarding the change of land use.	Microware Ltd. first started leasing the relevant premises for the use as its office from a landlord who was an Independent Third Party in February 1999 (the "Initial Leasing Arrangement"). In March 2003, Microware Ltd. acquired the relevant premises from a mortgagee (the "Property Purchase") and subsequently in August 2005, Microware Properties acquired the relevant premises from Microware Ltd. which then started leasing the relevant premises to Microware Ltd. up to the Latest Practicable Date. Since (i) none of the deeds of assignment and tenancy agreements in relation to the relevant premises had stated that the permitted use of the relevant premises was restricted to industrial and/or godown purposes; (ii) none of the legal adviser(s) of the Group in relation to the Initial Leasing Arrangement and the Property Purchase had raised any legal risk in relation to the proposed usage of the relevant premises at the relevant time; and (iii) we mistakenly believed that the relevant premises could be used for office purpose as there appeared to be other premises in the same building which were used for office purpose and it was not obvious to our Group that to use the relevant premises for office purpose would constitute a breach of the land use restriction, the management of the Group was not aware of the breach throughout the use of the relevant premises in the absence of timely and professional advice at the relevant time.	As advised by our Hong Kong Legal Counsel, an owner who wishes to temporarily deviate from the designated land use shall apply to the Lands Department for a temporary waiver. If the Lands Department approves the application, it will issue a written notification to the applicant which stipulates the terms and conditions for the grant of the waiver. Upon the fulfilment of the terms and conditions at the satisfaction of the Lands Department, it will grant a waiver to the applicant. If the waiver from the Lands Department is granted, the owner could deviate from the designated and permitted usage under the government lease.	Under section 40(2) of the Buildings Ordinance, our Group is liable on conviction to a maximum fine of HK\$100,000 and our Directors are liable on conviction to a maximum fine of HK\$100,000 and maximum imprisonment of two years. According to our Hong Kong Legal Counsel, the Hong Kong Government is entitled to, among other things, re-enter and take possession of the premises. Given the Lands Department has already granted a temporary waiver to Microware Properties, the Hong Kong Legal Counsel is of the view that prosecution and re-entry by the authorities is very unlikely.
			Given that the relevant premises is currently used by our Group for both office and warehouse purposes, it may be practically difficult and inconvenient from operational perspective to relocate our office portion for the purpose of rectifying the non-compliance and separate our office and warehouse functions in two premises. As such, on 25 January 2016, Microware Properties, the landlord of the relevant premises, had made an application to the Lands Department for a temporary waiver for the manufacture, design, development, production, operation, processing or assembly of, or research into (i) electronic and micro-electronic systems, goods and components; (ii) IT products and services including any hardware and software, contents and applications; and (iii) telecommunications facilities and telecommunications services (as defined in the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)) (together with office and storage facilities ancillary and directly related thereto).	
			On 22 June 2016, the Lands Department has granted an offer of a temporary waiver to Microware Properties and Microware Properties has accepted such offer and paid the required fees to the Hong Kong Government. The temporary waiver dated 16 December 2016 was granted to Microware Properties by the Lands Department for a fixed term of three years commenced from 1 October 2015 to 30 September 2018 and renewable on a quarterly basis and the temporary waiver was duly registered at the Land Registry.	
				Reason for not making provision and potential operational and financial impact on our Group: We had not received any notice relating to the breach during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that such non-compliance would not have a material operational or financial impact on us since, as advised by our Hong Kong Legal Counsel, the chances of (i) re-entry by the Hong Kong Government; (ii) being prosecuted are very unlikely when neither Microware Properties nor us have received any warning letter or enforcement notice from the relevant authorities as at the Latest Practicable Date; and (iii) the Lands Department has granted a temporary waiver to Microware Properties.

Name of entity involved	Particulars of non-compliance	Reason for non-compliance	Remedial action	Estimated/actual fine/penalty
	<p>The breach was only identified and made known to the Directors in the course of the due diligence exercise conducted by the professional parties during the course of preparation of the Listing application. The breach was not willful and was due to inadvertent oversight of the then accounting manager of Microware Ltd. who was responsible for such matter and who did not personally check the permitted usage under the government lease and the deed of mutual covenant of the building.</p>	<p>As advised by the Hong Kong Legal Counsel, the non-compliance has been rectified since the temporary waiver was granted by the Lands Department.</p> <p>As advised by the Hong Kong Legal Counsel, on the assumption that (i) there will be no further change of the usage of the relevant premises; (ii) the terms and conditions as stipulated in the temporary waiver (including the payment of waiver fee as required under the temporary waiver) are duly observed; and (iii) there will be no change of the current practice as adopted by the Lands Department, the temporary waiver shall be renewable upon the expiry of its initial three years' term on a quarterly basis. Based on the advice of the Hong Kong Legal Counsel, our Directors expect that the temporary waiver, shall be renewable upon the expiry of its initial three years' term on a quarterly basis.</p> <p>In the event that Microware Properties fails to renew the temporary waiver from the Lands Department, we will relocate our office portion to other premises of a smaller size and continue to maintain our warehouse at the present premises. We consider that it will not be difficult for us to find alternative premises for our office portion. In such event, our Directors estimate that the relocation costs and additional annual rental expenses will amount to approximately HK\$1.0 million and HK\$1.9 million respectively and no material disruption to our business is expected to arise from such relocation as we will ensure smooth transition by preventing long-term suspension of our operation. Further, our Controlling Shareholders have agreed to indemnify us in respect of any relocation costs incurred and other consequential loss as a result of the relocation arising from such non-compliance.</p> <p>Based on the assessment conducted by Asset Appraisal Limited, an independent professional property valuer, our Directors are of the view that the market rent of properties in the vicinity which can legally be used as offices and are with similar size would be higher than the rental of the relevant premises. With reference to the statistics published by the Rating and Valuation Department of the Hong Kong Government regarding the average rents of private office in the district of Kowloon Bay and Kwun Tong, the additional rental expenses estimated to be borne by our Group should our Group leased a premises that can legally be used as office with similar size for our office portion would be approximately HK\$4.4 million, HK\$4.6 million, HK.\$3.9 million and HK\$1.8 million for the three years ended 31 March 2016 and for the five months ended 31 August 2016, respectively.</p>	<p>We had not made any provision for such potential penalty as we consider that (i) the potential penalty is remote; (ii) the costs of relocation of our offices will be insignificant compared to the overall financial status of our Group; and (iii) our Controlling Shareholders have agreed to indemnify us on such costs.</p> <p>Please refer to the section headed "Risk factors — Risks relating to our Group's business and operations — One of the office premises we leased was not in compliance with the permitted usage under the government lease, the deed of mutual covenant of the building and the Buildings Ordinance which may lead us to legal action or eviction from the premises" in this prospectus for potential risks we may suffer as a result of the non-compliance and relocation.</p>	

Internal control measures to prevent the recurrence of non-compliance incident

We had implemented and/or will implement the following measures, in addition to the corporate governance measures set out above, to prevent the recurrence of the non-compliance incident:

- in December 2015, our Group appointed an independent internal control consultancy firm (the “**Consultant**”) to perform a detailed evaluation on our Group’s procedures, systems and internal control measures covering the areas of accounting and management systems. According to the result of the follow up review by the Consultant, our Group had implemented measures and rectified deficiencies as recommended by the Consultant;
- to ensure compliance with government lease and other applicable laws and regulations regarding tenancy agreements, leases and/or licences by:
 - (i) ensuring all tenancy agreements, leases and/or licences are reviewed by our chief financial officer and executive Directors. For their biography, please refer to the section headed “Directors and senior management” in this prospectus;
 - (ii) consulting external legal advisers before entering into any subsequent tenancy agreements, leases and/or licences or varying the terms of any tenancy agreements, leases and/or licences, if needed; and
 - (iii) conducting search for permitted usage of property before entering into any subsequent tenancy agreements, leases and/or licences.

Views of our Directors and the Sole Sponsor

As set out in the paragraphs headed “Risk management and corporate governance” and “Legal proceedings and compliance — Internal control measures to prevent the recurrence of non-compliance incident” in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance incident in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sole Sponsor concurs, that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sole Sponsor concurs, that the past non-compliance incident (i) does not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence; (ii) does not affect our Directors’ suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; and (iii) does not affect our Company’s suitability for listing under Rule 8.04 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Global Offering and the Capitalisation Issue, Mr. Yang and Microware International will beneficially own in total approximately 64.9% of the issued share capital of our Company taking no account of Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, hence Mr. Yang and Microware International are our Controlling Shareholders. Microware International was incorporated in the BVI on 30 March 2005 and is an investment holding company. As at the Latest Practicable Date, Microware International was wholly owned by Mr. Yang. For Mr. Yang's background, please refer to the section headed "Directors and senior management" in this prospectus.

Apart from our business relating to the provision of IT infrastructure solutions services and IT managed services in Hong Kong, our Controlling Shareholders and their close associates are currently investing in other business such as property investment business (the "**Excluded Business**") and such Excluded Business will not form part of our Group after Listing.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DELINEATION OF BUSINESS

Operations of our Group are independent and separate from the businesses operated by the companies which are excluded from our Group. Our Directors are of the view that there is a clear delineation between the Excluded Business and our business, as a result of which none of the Excluded Business would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which are excluded from our Group (the "**Excluded Group**") are engaged in any business relating to the provision of IT infrastructure solutions services or IT managed services that competes or may compete with us. The Excluded Business was not injected into our Group as our Directors are of the view that such business neither form part of our core business nor are in line with our strategy to maintain our position as one of the leading IT infrastructure solutions provider in Hong Kong.

In addition, given the different nature of our business and the Excluded Business, our Directors do not expect there to be any overlap or competition of the Excluded Business and our business after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with our existing business activity or any business activities that our Group may undertake in the future (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders will and will procure his/its relevant close associates to provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with and the enforcement of, the Deed of Non-Competition and the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the Listing Rules;
- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-Competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and may not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Other than Mr. Chu and Mr. Yang, none of our other Directors holds any directorship or senior management role in the Excluded Group. Mr. Chu and Mr. Yang are the directors of one of the members of the Excluded Group, Microware Properties, which is principally engaged in property investment business. They do not expect to devote substantial time in the management of the Excluded Group going forward save for attending from time to time the board meetings of Microware Properties. It is expected that Mr. Chu and Mr. Yang will spend substantially all of working time in the operations of our Group after Listing.

In the event that each of Mr. Chu and Mr. Yang is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Excluded Group, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorships of Mr. Chu and Mr. Yang in one of the members of the Excluded Group, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Group for the following reasons:

- (a) none of the business undertaken or carried on by the Excluded Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. Chu and Mr. Yang will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) we have three independent non-executive Directors, and certain matters of our Group, including matters referred to in the Deed of Non-Competition, details of which are set out in the paragraph headed “— Non-Competition Undertakings” above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Excluded Group;
- (c) in the event of a conflict of interest, Mr. Chu and Mr. Yang will abstain from voting, will not be present at the relevant Board meetings and will be excluded from deliberation by our Board. Hence, each of Mr. Chu and Mr. Yang would not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interest. Please refer to the section headed “Directors and senior management — Board of Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within the Excluded Group.

Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates as we have established our business independent of that of our Controlling Shareholders. We have independent access to our customers and suppliers and are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Although we have entered into certain continuing connected transactions which will continue after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed “Connected transactions” in this prospectus.

Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates had been fully settled and all loans, advances and balances due to our Controlling Shareholders had been fully repaid. All share pledges and guarantees provided by/to our Controlling Shareholders and their respective close associates on our Group’s borrowing had been fully released or will be fully released upon Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective associates. In addition, we have our own internal control and accounting systems, accounts department for cash receipts and payment and independent access to third-party financing.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders’ and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum for the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and senior management — Board of Directors — Independent non-executive Directors” in this prospectus; and
- (d) we have appointed Innovax Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

During the Track Record Period, we have entered into certain related party transactions and such transactions had been discontinued or ceased prior to Listing. Our Directors confirm that after Listing, the following transactions between our Group and the relevant connected persons will continue, which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement

(1) Residential Tenancy Agreement in respect of Residential Premises and Car Parking Space

On 27 April 2016, Microware Ltd. as tenant entered into a tenancy agreement (as amended by a supplemental agreement dated 1 June 2016) (the “**Residential Tenancy Agreement**”) with Mr. Yang as a landlord, pursuant to which Mr. Yang agreed to lease to Microware Ltd. a property situated at Flat B, 8/F, Tower 3, One Mayfair, 1 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong (the “**Residential Premises**”), with a total gross floor area of approximately 2,177 sq. ft. together with a car parking space at the same building (the “**Car Parking Space**”). The Residential Premises is used as residence for, and the Car Parking Space is used by Mr. Chu, our executive Director, chairman and chief executive officer provided by our Group as part of his director's emoluments. The Residential Tenancy Agreement has a term commenced from 1 May 2016 and ending on 31 March 2019 at a monthly rental (exclusive of utilities, telephone charges and other similar charges) of HK\$95,000.

Our Directors estimate that for the three years ending 31 March 2019, the aggregate annual rental payable by Microware Ltd. to Mr. Yang under the Residential Tenancy Agreement will not exceed HK\$1,045,000^(Note), HK\$1,140,000 and HK\$1,140,000, respectively.

The rental payable by Microware Ltd. under the Residential Tenancy Agreement was negotiated on an arm's length basis with reference to the prevailing market conditions and prevailing market rent for similar properties in the vicinity at the relevant time. The Residential Tenancy Agreement was entered into on normal commercial terms.

CONNECTED TRANSACTIONS

Asset Appraisal Limited, an independent professional property valuer, has reviewed the terms of the Residential Tenancy Agreement and confirmed such terms are on normal commercial terms under the prevailing market condition and the monthly rental payable by our Group is fair and reasonable.

Note: Given that the term of the Residential Tenancy Agreement commenced on 1 May 2016 and will expire on 31 March 2019, the annual cap for the year ending 31 March 2017 was determined based on the fees payable for the period from 1 May 2016 to 31 March 2017.

(2) *Office Tenancy Agreement in respect of Office Premises*

On 15 February 2017, Microware Ltd. as tenant entered into a tenancy agreement (the “**Office Tenancy Agreement**”) with Microware Properties as landlord, pursuant to which Microware Properties agreed to lease to Microware Ltd. a property situated at 1st Floor, Century Centre, 44 and 46 Hung To Road, Kwun Tong, Kowloon, Hong Kong (the “**Office Premises**”), with a total gross floor area of approximately 48,960 sq.ft. for office, operation and warehouse use. The Office Premises is used as our head office. The Office Tenancy Agreement has a term of three years commenced from 1 April 2016 and ending on 31 March 2019 at a monthly rental of HK\$440,640 during the period from 1 April 2016 to 30 September 2016 and HK\$490,000 during the period from 1 October 2016 to 31 March 2019 (exclusive of management fees, rates and government rent). During the term of the Office Tenancy Agreement, Microware Ltd. shall have the right to terminate the Office Tenancy Agreement by giving three months’ prior notice to Microware Properties without paying any compensation and Microware Properties shall have no right of early termination. Microware Ltd. has an option to renew the Office Tenancy Agreement by giving three months’ prior notice to Microware Properties upon the expiration of the Office Tenancy Agreement, subject to the applicable requirements of the Listing Rules.

During the Track Record Period, Microware Ltd. leased the Office Premises from Microware Properties as its head office. The total amount of rental expenses paid by our Group in respect of the lease of the Office Premises for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 were HK\$4,626,720, HK\$4,957,200, HK\$5,287,680 and HK\$2,203,200, respectively.

Our Directors estimate that for the three years ending 31 March 2019, the aggregate annual rental payable by Microware Ltd. to Microware Properties under the Office Tenancy Agreement will not exceed HK\$5,583,840, HK\$5,880,000 and HK\$5,880,000, respectively.

The rental payable to Microware Properties under the Office Tenancy Agreement was negotiated on an arm’s length basis with reference to (a) the historical rent paid by Microware Ltd. to Microware Properties; and (b) the prevailing market conditions and the prevailing market rent for similar properties in the vicinity at the relevant time. The Office Tenancy Agreement was entered into on normal commercial terms.

CONNECTED TRANSACTIONS

Asset Appraisal Limited, an independent professional property valuer, has reviewed the terms of the Office Tenancy Agreement and confirmed such terms are on normal commercial terms under the prevailing market condition and the agreed monthly rental payable by our Group is fair and reasonable.

LISTING RULES IMPLICATIONS

Mr. Yang is our executive Director and a substantial Shareholder and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Residential Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly owned by Mr. Yang, our executive Director and a substantial Shareholder. As such, Microware Properties is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Office Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under (a) the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

WAIVERS

The transactions described in paragraphs 1 and 2 above (for the Residential Tenancy Agreement and for the Office Tenancy Agreement on an aggregated basis and for the Office Tenancy Agreement on a standalone basis) constitute non-exempt continuing connected transactions under the Listing Rules. The applicable percentage ratios are defined in Rule 14.07 of the Listing Rules.

The transactions described in paragraphs 1 and 2 above (for the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis and for the Office Tenancy Agreement on a standalone basis) would be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules as the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis.

CONNECTED TRANSACTIONS

As such, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement of the Listing Rules in respect of the non-exempt continuing connected transactions as disclosed in paragraphs 1 and 2 above subject to (a) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and (b) the aggregate value of each of these non-exempt continuing connected transactions for each of the financial years ending 31 March 2019 will not exceed the relevant annual caps set forth above.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of the business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the continuing connected transactions as disclosed in paragraphs 1 and 2 above (for the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis and for the Office Tenancy Agreement on a standalone basis) have been entered into in the ordinary and usual course of business, are on normal commercial terms, are fair and reasonable and in the interests of our Group and our Shareholders as a whole. The Sole Sponsor is also of the view that the respective annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by the Articles. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Director and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management of our Company:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Group	Roles and Responsibilities
Mr. Chu Ming Ho (朱明豪)	47	12 June 1991 (Note 1)	20 January 2016	Chairman, executive Director and chief executive officer of our Group	Overall management, strategic planning and the day-to-day business operation of our Group
Mr. Yang Peter Shun Tsing (楊純青) (Note 2)	66	1 March 1989	20 January 2016	Executive Director	Overall management and strategic planning of the businesses of our Group
Mr. Wan Yiu Hon (尹耀漢)	59	1 August 2007	25 May 2016	Non-executive Director	Supervising the business of our Group
Mr. Cheng Tak Chung (鄭德忠)	60	14 February 2017	14 February 2017	Independent non-executive Director	Supervising and providing independent advice to the Board
Ms. Li Wai Man (李慧敏)	50	7 May 2001 (Note 3)	14 February 2017	Independent non-executive Director	Supervising and providing independent advice to the Board
Mr. Li Richard King Hang (李景衡)	73	14 February 2017	14 February 2017	Independent non-executive Director	Supervising and providing independent advice to the Board

Notes:

1. Mr. Chu first joined our Group as the accounts executive of Microware Ltd. on 12 June 1991 and first left our Group as the assistant sales manager of Microware Ltd. in May 1995. He then served as the sales manager of Microware Ltd. during October 1997 to September 1998. He re-joined our Group in April 2000.
2. Mr. Yang is the father of Mr. Yang Joseph Hwa, a member of the senior management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

3. *Ms. Li first joined our Group as the accounts and operation manager of Microware Ltd. in May 2001 and served in the same position until January 2007 when she left our Group.*

Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Group	Roles and Responsibilities
Mr. Au Man Wah (區文華)	52	17 September 1996	1 June 2011	Director of technical services and outsourcing of Microware Ltd.	Overseeing the maintenance and service sales of Microware Ltd.
Ms. Chan Wai Hing Gloria (陳惠卿)	47	22 January 2007	22 January 2007	Chief financial officer and company secretary of our Group	Management of financial, accounting and company secretarial matters of our Group
Mr. Tong Kwok Fung (湯國峰)	44	2 August 1995	1 January 2006	Director of systems integration group of Microware Ltd.	Sales management of our Group
Mr. Yang Joseph Hwa (楊華) (Note 4)	40	1 December 2003	1 September 2008	Director of professional services of Microware Ltd.	Supervising the professional services division of our Group
Ms. Chan Wai Yan (陳慧恩)	44	23 February 2000	1 December 2015	Director of product and marketing of Microware Ltd.	Management of vendors relationship, product strategy, marketing and inventory control of our Group

Note:

4. *Mr. Yang Joseph Hwa is the son of Mr. Yang, our executive Director.*

Executive Directors

Mr. Chu Ming Ho (朱明豪), aged 47, was appointed as our Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has been the chairman and chief executive officer of our Group since 25 May 2016 and a director of all of our subsidiaries. From January 2006 and to the present, Mr. Chu is the managing director of Microware Ltd. and he has been primarily responsible for the overall management, strategic planning and the day-to-day business operation of our Group. Mr. Chu has over 23 years of experience in the information technology industry. Mr. Chu joined Microware Ltd. as the accounts executive on 12 June 1991 and was promoted to sales supervisor for the channel team in August 1994. He then served as the assistant sales manager of Microware Ltd. from February 1995 to May 1995 and the sales manager from October 1997 to September 1998, where he led the sales team of Microware Ltd.. From May 1995 to October 1995, he was the senior account manager of SiS International Ltd., an information technology solutions and service provider, where he was responsible for key accounts relationship management. Mr. Chu then worked for JOS Technology Group, an information technology solutions and service provider, as a sales manager from September 1998 to March 2000, where he supervised the sales team. Mr. Chu re-joined Microware Ltd. in April 2000 and has served as the

DIRECTORS AND SENIOR MANAGEMENT

product and marketing manager from April 2000 to February 2004, a director from February 2004 to January 2006 and is currently the managing director of Microware Ltd. since January 2006, where he is responsible for strategic planning and leading the management team. Mr. Chu received a bachelor's degree in business (economics and finance) from Royal Melbourne Institute of Technology University in Australia in September 2004.

Mr. Yang Peter Shun Tsing (楊純青), aged 66, was appointed as our Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has over 27 years of experience in the information technology industry. From 1 March 1989 and to the present, Mr. Yang is the president of Microware Ltd. and has been primarily responsible for the overall management and strategic planning of the businesses of our Group. He is a director of all of our subsidiaries. From March 1989 to February 2008 and from February 2008 to July 2012, he was the president and chairman of Microware Ltd., respectively, where he was responsible for the overall management and strategic planning of its businesses. Mr. Yang received a degree of bachelor of science with specialisation in physics from the University of Alberta in Canada in May 1971. From 1974 to 1984, Mr. Yang was a chartered accountant of The Institute of Chartered Accountants and Canadian Institute of Chartered Accountants.

Mr. Yang was also the director of Microware Service Centre Limited, Gemini Technology Solutions Limited and Hong Kong PC Dealers Association Limited which were solvent companies incorporated in Hong Kong prior to their respective dissolution. Microware Service Centre Limited and Gemini Technology Solutions Limited had not commenced any business since incorporation and were dissolved by deregistration by the Registrar of Companies in Hong Kong as defunct companies pursuant to section 291AA of the then Predecessor Companies Ordinance on 13 December 2002 and 4 March 2011, respectively. Hong Kong PC Dealers Association Limited, a computer association, was dissolved by striking off by the Registrar of Companies in Hong Kong as defunct company pursuant to section 291 of the then Predecessor Companies Ordinance on 19 February 2010. Mr. Yang has confirmed that, as at the Latest Practicable Date, no claims has been made against him and he was not aware of any threatened and potential claims made against him and there are no outstanding claims and/or liabilities as a result of the dissolution of Microware Service Centre Limited, Gemini Technology Solutions Limited and Hong Kong PC Dealers Association Limited.

Mr. Yang is the father of Mr. Yang Joseph Hwa, a member of the senior management of our Group.

Non-executive Director

Mr. Wan Yiu Hon (尹耀漢), aged 59, was appointed as our non-executive Director on 25 May 2016 and is primarily responsible for supervising the business of our Group. Mr. Wan has been a director of Microware Ltd. since 1 August 2007 and is responsible for supervising the business of Microware Ltd.. He has over 25 years of sales and sales management experience in the information technology industry. Mr. Wan joined System-Pro Business Computer Solutions Limited as a marketing executive in October 1984 and was later promoted to general manager of the computer products unit in January 1993, where he supervised such unit of the company. From June 1996 to December 2001, he was the managing director of Novell Hong Kong Limited, an

DIRECTORS AND SENIOR MANAGEMENT

infrastructure software provider, where he was responsible for overseeing its business operations and sales management. From January 2002 to October 2002, he was the country manager of Adobe Systems Benelux BV, Hong Kong Branch, a graphic and printing solutions manufacturer, where he was responsible for overseeing the sales and support services of its business operations in Hong Kong and Taiwan. From June 2003 to September 2004, Mr. Wan was the director of the systems integration group of Microware Ltd., where he was responsible for supervising the sales team. Mr. Wan was graduated from St. Louis School in Hong Kong in 1975.

Mr. Wan was also the director of Hong Kong PC Dealers Association Limited, a company incorporated in Hong Kong and a computer association. Hong Kong PC Dealers Association Limited was a solvent company prior to it being dissolved by striking off by the Registrar of Companies in Hong Kong as defunct company pursuant to section 291 of the then Predecessor Companies Ordinance on 19 February 2010. Mr. Wan has confirmed that, as at the Latest Practicable Date, no claims has been made against him and he was not aware of any threatened and potential claims made against him and there are no outstanding claims and/or liabilities as a result of the dissolution of Hong Kong PC Dealers Association Limited.

Independent Non-executive Directors

Mr. Cheng Tak Chung (鄭德忠), aged 60, was appointed as our independent non-executive Director on 14 February 2017. During the period between April 1983 and September 2008, Mr. Cheng has served various roles in IBM China/Hong Kong Limited, a multinational technology and consulting corporation, and he held the position of GCG channel director in general management office before he left such company. From September 2008 to September 2011, Mr. Cheng worked as the vice president and general manager of Avnet Partner Solutions, greater China region, a distributor of information technology services.

Mr. Cheng received a bachelor's degree in science from the University of Wisconsin-Stevens Point in the United States in August 1980 and a master's degree in business administration from Northern Michigan University in the United States in August 1982.

Ms. Li Wai Man (李慧敏), aged 50, was appointed as our independent non-executive Director on 14 February 2017. From 7 May 2001 to January 2007, Ms. Li served as the accounts and operation manager of Microware Ltd., where she was responsible for company secretarial services, financial management and office administration of the Group. From December 1996 to April 1998, Ms. Li served as the finance manager of Star Telecom Ltd.. She was then promoted to finance and administration manager and appointed as the executive director in April 1998 and she left the company in June 1999. From February 2007 to August 2007, she served as the senior manager of American International Data Centre Limited, a company principally engaged in providing data centre service to related companies of AIG Group, where she led the financial and administrative department. From October 2007 to May 2009, Ms. Li served as a financial controller of Southeast Asia Properties & Finance Limited, a company principally engaged in property investment and development and listed on the Main Board of Stock Exchange (stock code: 252), where she was responsible for financial matters. From June 2009 to June 2010, she served as the accounting manager of Evergo Holdings Company Limited, which is a wholly-owned subsidiary of Chinese Estate Holdings Limited, a company principally engaged in property investment and development,

DIRECTORS AND SENIOR MANAGEMENT

property management, brokerage, securities investment, money lending and cosmetic distribution and trading and listed on the Main Board of the Stock Exchange (stock code: 127), where she was responsible for financial reporting matters of such company. Ms. Li joined The Sincere Company Limited, a company principally engaged in the operation of department stores and listed on the Main Board of Stock Exchange (stock code: 244) as a finance manager in September 2010, where she was responsible for the financial reporting affairs. She was promoted to senior finance manager in December 2011 and subsequently served as the financial consultant of the company from October 2012 to August 2013. Ms. Li has been a part-time tutor for corporate accounting of The Open University of Hong Kong since 2013.

Ms. Li received a master's degree in business administration and a master's degree in corporate governance from The Open University of Hong Kong through distance learning in June 2005 and June 2011, respectively. Ms. Li was admitted as a certified public accountant in June 1996. She has been a fellow of the Association of Chartered Certified Accountants since September 2001 and a fellow of the Hong Kong Institute of Certified Public Accountants since October 2013.

Mr. Li Richard King Hang (李景衡), aged 73, was appointed as our independent non-executive Director on 14 February 2017. He served as the director of information technology services in the Hong Kong Polytechnic University for ten years and retired from the information technology services office of the university in October 2005.

Mr. Li obtained a bachelor of science degree in physics and a master of science degree from Indiana University in the United States in June 1966 and February 1968, respectively. Mr. Li was admitted as a member of the Australian Computer Society and a distinguished fellow of the Hong Kong Computer Society in 1989 and 2005, respectively.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as at the Latest Practicable Date. Save as disclosed above, none of our Directors has been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. Au Man Wah (區文華), aged 52, is the director of technical services and outsourcing of Microware Ltd. since 1 June 2011 and is primarily responsible for maintenance and service sales of our Group. He has over 19 years of sales and marketing experience. From April 1993 to April 1994, he was the deputy sales manager of Swire Systems Limited (now known as Chinney Alliance Engineering Limited), an international distributor in Hong Kong, where he was responsible for expanding the maintenance service business. From 17 September 1996 to August 2002, Mr. Au worked as the general sales manager of Microware Ltd. and was responsible for supervising the

DIRECTORS AND SENIOR MANAGEMENT

sales team. From May 2003 to May 2011, Mr. Au worked as the senior manager in the general support division of Toppan Forms Computer Systems Ltd., an information technology service company and a provider of business solutions in Hong Kong.

Mr. Au received a bachelor's degree in business administration from Fu Jen Catholic University in Taiwan in June 1988. He has also received a master's degree in information systems from the Hong Kong Polytechnic University in November 2010 through distance learning.

Ms. Chan Wai Hing Gloria (陳惠卿), aged 47, is the chief financial officer of our Group since 22 January 2007 and is primarily responsible for the management of financial, accounting and company secretarial matters of our Group. She has over 19 years of accounting experience. From May 1995 to May 1997, she worked as an accounting analyst in the planning and analysis department of the strategic business unit of RJR Nabisco China, Ltd., a cigarette manufacturing company, where she was responsible for financial planning and analytical work including the preparation of financial reports and analysis. From July 1997 to January 2000, Ms. Chan worked as an accountant of Hotel Information Systems Ltd., an information technology service provider, where she was responsible for setting up the accounting systems of such company. She then worked as the finance manager of the same company from January 2000 to December 2006.

Ms. Chan received a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2003. Ms. Chan was admitted as a certified public accountant in July 1999. She has been an associate of the Hong Kong Society of Accountants since July 1999 and a fellow of the Hong Kong Institute of Certified Public Accountants since May 2007.

Mr. Tong Kwok Fung (湯國峰), aged 44, is the director of the system integration group of Microware Ltd. since 1 January 2006 and is primarily responsible for sales management of our Group. He has over 20 years of sales experience. Mr. Tong had served various roles in Microware Ltd., he was the account executive of sales division from 2 August 1995 to April 1997, junior account manager of the sales division from May 1997 to January 1998, senior account manager of the sales division from February 1998 to December 1998, assistant sales manager of the sales division from January 1999 to August 1999, senior sales manager of the sales division from September 1999 to December 2000, general sales manager of the sales division from January 2001 to September 2003 and the general manager of the systems integration group from October 2003 to January 2006.

Mr. Tong received a bachelor of arts degree from the University of Lethbridge in Canada in October 1995 and a master's degree in business administration from the Hong Kong Polytechnic University in October 2008.

Mr. Yang Joseph Hwa (楊華), aged 40, is the director of professional services of Microware Ltd. since 1 September 2008 and is primarily responsible for supervising the professional services division. He has over 10 years experience in the information technology industry. From 1 December 2003 to February 2007, he worked as the chief technology officer of Microware Ltd.

DIRECTORS AND SENIOR MANAGEMENT

where he was responsible for the identification of new product and technology direction of the company. He then served as the director of professional services of Microware Ltd. since September 2008.

Mr. Yang received a degree of bachelor of mathematics in computer science from the University of Waterloo in Canada in June 1999.

He is the son of Mr. Yang Peter Shun Tsing, our executive Director.

Ms. Chan Wai Yan (陳慧恩), aged 44, is the director of product and marketing of Microware Ltd. since 1 December 2015 and is primarily responsible for the management of vendors relationship, product strategy, marketing and inventory control of our Group. Ms. Chan has more than 18 years of experience in product marketing. From November 1995 to July 1998, Ms. Chan worked as an account executive of Roctec Systems Ltd., a system integrator which specialises in networking and data communications projects. From August 1998 to February 2000, she worked for Segyung Hong Kong Limited, an electronic components and computer products distributor, as a marketing executive. Ms. Chan joined our Group in 23 February 2000 and worked as the product marketing officer from February 2000 to September 2002 and she served as the product manager from September 2002 to October 2013 where she was responsible for product marketing. She then worked as the senior manager of product and marketing of Microware Ltd. from October 2013 to November 2015.

Ms. Chan received a bachelor of business administration degree (Hons.) in management information systems from the Hong Kong Baptist University in November 1995. She also completed a diploma programme in marketing jointly offered by the School of Professional and Continuing Education of the University of Hong Kong and the Hong Kong Institute of Marketing in July 1999.

Saved as disclosed above, none of our senior management members has been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

Save as disclosed above, none of our Directors and senior management is personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders. Save as disclosed above, none of our Directors holds other position with our Company or its subsidiaries.

COMPANY SECRETARY

Ms. Chan Wai Hing Gloria (陳惠卿) is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of her background, please refer to the paragraph headed “Senior Management” of this section.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company has established the audit committee on 15 February 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Ms. Li Wai Man, Mr. Cheng Tak Chung and Mr. Li Richard King Hang. Ms. Li Wai Man has been appointed as the chairlady of the audit committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

Our Company has established the remuneration committee on 15 February 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Li Richard King Hang, Mr. Chu Ming Ho and Mr. Cheng Tak Chung. Mr. Li Richard King Hang has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company has established the nomination committee on 15 February 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Chu Ming Ho, Mr. Cheng Tak Chung and Mr. Li Richard King Hang. Mr. Chu Ming Ho has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

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

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

DIRECTORS AND SENIOR MANAGEMENT

Except for the deviation from CG Code provision A.2.1, our corporate governance practices have complied with the CG Code. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chu is the chairman and chief executive officer of our Group. In view of the fact that Mr. Chu has been assuming day-to-day responsibilities in operating and managing our Group since April 2000, our Board believes that it is in the best interest of our Group to have Mr. Chu taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding from above, our board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the CG Code after the Listing.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) paid to our Directors for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 was approximately HK\$3,289,000, HK\$3,910,000, HK\$3,460,000 and HK\$1,873,000, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended 31 March 2016.

The aggregate amount of fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind paid to our five highest paid individuals in respect of each of the three years ended 31 March 2016 and the five months ended 31 August 2016 was approximately HK\$7,345,000, HK\$8,415,000, HK\$7,756,000 and HK\$3,376,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended 31 March 2016 and the five months ended 31 August 2016. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending 31 March 2017 is estimated to be no more than HK\$5,000,000. Our Board will review and determine the

DIRECTORS AND SENIOR MANAGEMENT

remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Innovax Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 3.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Shares held immediately prior to the completion of the Global offering and the Capitalisation Issue⁽¹⁾</u>		<u>Shares held immediately following the completion of the Global Offering and the Capitalisation Issue⁽¹⁾</u>	
		<u>Number</u>	<u>Approximate Percentage</u>	<u>Number</u>	<u>Approximate Percentage</u>
Mr. Yang	Interest of a controlled corporation	82,402 (L)	68.7%	164,804,000 (L)	54.9%
	Beneficial owner	15,000 (L)	12.5%	30,000,000 (L)	10.0%
Microwave International ⁽²⁾	Beneficial owner	82,402 (L)	68.7%	164,804,000 (L)	54.9%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Microwave International is beneficially and wholly owned by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microwave International.

If the Offer Size Adjustment Option is fully exercised, beneficial interests of each of Mr. Yang and Microwave International will be approximately 9.7%, and 53.3%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Offer Size Adjustment Option or Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised):

	<u>Nominal value</u> (HK\$)
Authorised share capital:	
5,000,000,000 Shares of HK\$0.01 each	50,000,000
Issued and to be issued, fully paid or credited as fully paid:	
120,000 Shares in issue as of the date of this prospectus	1,200
239,880,000 Shares to be issued pursuant to the Capitalisation Issue	2,398,800
<u>60,000,000</u> Shares to be issued under the Global Offering	<u>600,000</u>
<u>300,000,000</u> Total	<u>3,000,000</u>

ASSUMPTIONS

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

RANKINGS

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

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be 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); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 15 February 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be 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).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange or any other Stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information — A. Further information about our Group — 6. Repurchases of our Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed “Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 15 February 2017” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 15 February 2017, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the paragraph headed “Summary of the constitution of the Company and Cayman company law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs as adopted by the HKICPA.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See the sections headed "Risk factors" and "Forward-looking statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are a well-established IT infrastructure solutions provider based in Hong Kong, with approximately 90% of our total revenue generated through our IT infrastructure solutions services and the remaining through our IT managed services for each of the three years ended 31 March 2016 and the five months ended 31 August 2016.

Our operating history may be traced back to the time when Microware Ltd. became wholly owned by Mr. Yang and Mr. Yang Shun Long, the younger brother of Mr. Yang, in 1991. As one of the approved contractors of the Hong Kong Government for the supply, delivery, installation, commissioning, maintenance, training services and other related services of microcomputer and office network products since 2003, we provided our services to clients in both private and public sectors, which included the Hong Kong Government, educational institutions, non-profit organisations, hospitals, and commercial organisations in various sectors, such as banking and finance, IT, telecommunications and transportation. In each of the three years ended 31 March 2016, we had undertaken over 30,000 contracts with an aggregate contract sum of over HK\$1,300 million. As at 31 August 2016, we had over 7,500 ongoing contracts with an aggregate contract sum of appropriately HK\$546.2 million.

We consider that our Group had achieved satisfactory business and financial performance during the Track Record Period. Our Group's revenue for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 were approximately HK\$1,082.1 million, HK\$1,064.2 million, HK\$1,075.5 million and HK\$436.8 million, respectively, while our Group's profit for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 were approximately HK\$35.0 million, HK\$34.0 million, HK\$31.2 million and HK\$5.5 million, respectively.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

Our ability to recruit and retain eligible employees

Our business and success depend heavily on the services provided by our employees. However, the supply of eligible employees is fairly limited in the market.

Given the keen competition for IT professionals, we may be compelled to offer competitive remuneration to our employees to maintain a steady workforce and quality services. The contribution of direct staff costs to our cost of sales was approximately 4.6%, 4.9%, 4.5% and 4.4% for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. As most of our contracts are fixed price in nature, if there is an increase in our direct staff costs, our Group may not be able to pass the rising direct staff costs onto our clients and our financial performance may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes of our direct staff costs on profit before taxation for each of the three years ended 31 March 2016 and the five months ended 31 August 2016:

	Impact on profit before taxation			
	for the year ended 31 March			for the five months ended 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
+20%	(8,855)	(9,274)	(8,591)	(3,423)
+15%	(6,641)	(6,956)	(6,443)	(2,568)
+10%	(4,428)	(4,637)	(4,295)	(1,712)
+5%	(2,214)	(2,319)	(2,148)	(856)
-5%	2,214	2,319	2,148	856
-10%	4,428	4,637	4,295	1,712
-15%	6,641	6,956	6,443	2,568
-20%	8,855	9,274	8,591	3,423

For illustrative purposes, for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, it is estimated that we would achieve breakeven on our profit before taxation if our direct staff costs increased by approximately 94.9%, 89.0%, 89.1% and 48.4%, respectively, with all other variables remaining constant.

FINANCIAL INFORMATION

Our ability to maintain business relationships with hardware and/or software suppliers

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our cost of hardware and software accounted for approximately 92.6%, 90.8%, 90.2% and 90.9% of our cost of sales, respectively. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our five largest suppliers accounted for approximately 66.6%, 67.7%, 69.7% and 64.2% of our total cost of sales, respectively.

There is no assurance that our business relationships with these suppliers can be maintained without interruption. If there is any interruption in our existing business relationships with these suppliers, and we are unable to build new business relationships with other suppliers, the offering and quality of our services will be adversely affected, thereby damaging our business reputation and adversely affecting our financial results. Therefore, the profitability of our contracts and financial performance could be materially and adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes of our cost of hardware and software on profit before taxation for each of the three years ended 31 March 2016 and the five months ended 31 August 2016:

	Impact on profit before taxation			
	for the year ended 31 March			for the five months ended 31 August
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
+20%	(178,195)	(170,739)	(171,314)	(69,980)
+15%	(133,646)	(128,054)	(128,486)	(52,485)
+10%	(89,098)	(85,369)	(85,657)	(34,990)
+5%	(44,549)	(42,685)	(42,829)	(17,495)
-5%	44,549	42,685	42,829	17,495
-10%	89,098	85,369	85,657	34,990
-15%	133,646	128,054	128,486	52,485
-20%	178,195	170,739	171,314	69,980

For illustrative purposes, for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, it is estimated that we would achieve breakeven on our profit before taxation if our cost of hardware and software increased by approximately 4.7%, 4.8%, 4.5% and 2.4%, respectively, with all other variables remaining constant.

Our ability to be retained as an approved contractor of the Hong Kong Government

As an approved contractor of the Hong Kong Government under the Standing Offer Agreement, approximately 20.2%, 16.3%, 16.1% and 7.4% of our total revenue were generated from the Hong Kong Government through the Standing Offer Agreements for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Should we

FINANCIAL INFORMATION

fail to continue to be retained as an approved contractor of the Hong Kong Government under the Standing Offer Agreement, our revenue derived from Hong Kong Government contracts may reduce significantly. In such event, our revenue base and financial performance would be adversely affected.

Our ability to keep up with rapid technological changes in the IT industry

The IT industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to the evolving industry standards and continually improving the know-how of our employees in response to evolving demands of the marketplace. Failing to adapt to such changes would have material adverse effect on our financial performance.

Seasonality

Our business is subject to seasonal fluctuations. We generally record higher revenue in (i) March from the Hong Kong Government and some of our clients from the private sector since they would usually attempt to utilise all the remaining available annual funding for capital expenditure before their financial year end on 31 March; and (ii) July from our educational institution clients since most of the projects are usually carried out during the summer holidays to avoid any unnecessary interruption to students. Accordingly, our revenue usually experiences seasonal fluctuation during the year.

BASIS OF PREPARATION

Pursuant to the Reorganisation as further explained in the section headed “History, Reorganisation and corporate structure” in this prospectus, our Company became the holding company of the companies now comprising our Group on 31 March 2016. Our Company and our subsidiaries have been under the common control of Mr. Yang throughout the Track Record Period or since the respective dates of incorporation, where there is a shorter period.

Accordingly, the financial information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. 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 Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure has been in existence throughout the Track Record Period, or since the respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of our Group as at 31 March 2014 and 31 March 2015 have been prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies, which are important for an understanding of our financial conditions and results of operations, are set forth in detail in Note 4 to the Accountants' Report included in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in the preparation of our financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the hardware and/or software sold and the services provided by us to clients, less client returns and other similar allowances.

Revenue from the sale of hardware and/or software is recognised when the hardware and/or software are delivered and titles have been passed, at which time certain conditions are satisfied.

Income from our services is recognised when we have performed and provided the services. Service income received but not recognised as revenue are presented as deferred revenue.

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to our 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.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Impairment loss for loans and receivables are assessed on an individual basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

FINANCIAL INFORMATION

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 profit will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where our 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.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

FINANCIAL INFORMATION

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of our assets and liabilities.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following paragraphs discuss the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, details of which are set forth in Note 5 to the Accountant's Report contained in Appendix I to this prospectus. The estimates and associated assumptions are based on historical experience and other relevant factors and are reviewed on an ongoing basis by our management. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects that period. We had not experienced any material deviation between our management's estimate and actual results and had not changed these estimates during the Track Record Period. Our management does not expect any material change in these estimates in the foreseeable future.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of our Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by our management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

Our management reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items, in particular, on items without stock movement for over 60 days. We estimate the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, we carry out an inventory review on a product-by-product basis at the end of each reporting period and provide necessary allowance if the net realisable value is estimated to be below the cost.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our selected financial information relating to our results of operations during the Track Record Period as extracted from the Accountant's Report included as Appendix I in this prospectus:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March			For the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	1,082,087	1,064,152	1,075,491	413,384	436,835
Cost of sales	(962,447)	(940,194)	(949,995)	(365,706)	(384,947)
Gross profit	119,640	123,958	125,496	47,678	51,888
Other income	2,242	1,893	2,023	791	311
Other gains and losses, net	2,443	1,506	738	(1,510)	1,180
Other expenses	(2,590)	(2,523)	(2,322)	(1,112)	(1,226)
Distribution and selling expenses	(57,166)	(61,382)	(62,565)	(23,585)	(25,013)
Administrative expenses	(22,533)	(22,200)	(22,735)	(8,858)	(9,659)
Listing expenses	—	—	(2,377)	—	(9,200)
Finance costs	(36)	—	—	—	—
Profit before taxation	42,000	41,252	38,258	13,404	8,281
Taxation	(7,027)	(7,279)	(7,055)	(2,547)	(2,815)
Profit and total comprehensive income for the year/period	34,973	33,973	31,203	10,857	5,466
Profit and total comprehensive income for the year/period attributable to:					
— owners of our Company	29,301	27,534	24,861	8,808	5,466
— non-controlling interests	5,672	6,439	6,342	2,049	—
	34,973	33,973	31,203	10,857	5,466

FINANCIAL INFORMATION

DESCRIPTIONS OF CERTAIN INCOME STATEMENT ITEMS

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

Revenue

We generated revenue of approximately HK\$1,082.1 million, HK\$1,064.2 million, HK\$1,075.5 million and HK\$436.8 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

Revenue breakdown by segment

During the Track Record Period, we derived our revenues from our business consisting of: (i) IT infrastructure solutions services; and (ii) IT managed services.

The following table sets forth our revenue breakdown by the abovementioned categories of services for the years indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
IT infrastructure solutions services	994,945	91.9	963,649	90.6	963,359	89.6	376,517	91.1	395,205	90.5
IT managed services	87,142	8.1	100,503	9.4	112,132	10.4	36,867	8.9	41,630	9.5
Total:	<u>1,082,087</u>	<u>100.0</u>	<u>1,064,152</u>	<u>100.0</u>	<u>1,075,491</u>	<u>100.0</u>	<u>413,384</u>	<u>100.0</u>	<u>436,835</u>	<u>100.0</u>

IT infrastructure solutions services

We derived revenue through the provision of IT infrastructure solutions services, which usually entail (i) assessment of our clients' needs and existing IT infrastructure; (ii) design of solutions; and/or (iii) integration of the hardware and software procured from a number of manufacturers or authorised distributors.

IT managed services

We generated our revenue through the provision of maintenance and/or support services on our clients' IT systems for a fixed service period. During the Track Record Period, our IT managed services included (i) hardware and system maintenance and support services; (ii) IT outsourcing and secondment services; and (iii) cabling, hardware rental, data erasure and system relocation services.

FINANCIAL INFORMATION

Revenue breakdown by sector

During the Track Record Period, our revenue was generated from the following types of clients:

	For the year ended 31 March						For the five months ended 31 August	
	2014		2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector								
Hong Kong Government (Note 1)	241,003	22.3	194,642	18.3	198,315	18.4	43,691	10.0
Public bodies (Note 2)	70,098	6.5	85,731	8.1	107,892	10.0	29,085	6.7
Educational institutions and non-profit organisations (Note 3)	157,402	14.5	166,833	15.7	167,250	15.6	85,702	19.6
Sub-total	468,503	43.3	447,206	42.0	473,457	44.0	158,478	36.3
Private sector								
Banking and finance	196,527	18.2	185,432	17.4	178,623	16.6	73,770	16.9
IT	52,418	4.8	36,633	3.4	35,473	3.3	9,593	2.2
Telecommunications and media	45,162	4.2	45,711	4.3	40,928	3.8	29,277	6.7
Transportation	72,472	6.7	99,772	9.4	143,308	13.3	73,251	16.8
Others	247,005	22.8	249,398	23.4	203,702	18.9	92,466	21.1
Sub-total	613,584	56.7	616,946	58.0	602,034	56.0	278,357	63.7
Total:	1,082,087	100.0	1,064,152	100.0	1,075,491	100.0	436,835	100.0

Notes:

1. Hong Kong Government mainly consisted of departments of the Hong Kong Government.
2. Public bodies mainly consisted of authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong, such as the Hospital Authority, the Airport Authority and the Housing Authority.
3. Educational institutions and non-profit organisations mainly consisted of primary schools, secondary schools, tertiary educational institutions, charities and political organisations.

Public sector

For the year ended 31 March 2015, revenue from the public sector decreased by approximately HK\$21.3 million. This was mainly due to a decrease in revenue from the Hong Kong Government for the year ended 31 March 2015 as a number of contracts for various Hong Kong Government departments, including the upgrade of computers and systems, provision of software licences and email and storage systems upgrades, were completed in the year ended 31 March 2014. A higher revenue was recorded in the year ended 31 March 2014 because an American multinational IT

FINANCIAL INFORMATION

group which is well-known for its operating systems had announced that no security update or technical support for one of its operating systems would be provided after 8 April 2014. A demand for the upgrading of operating system and the upgrading and/or replacement of computers in order to support the specifications of the new operating system prior to 8 April 2014 had accordingly increased. As a result, the revenue attributable to the Hong Kong Government contracts on hardware and software was higher in the year ended 31 March 2014.

Revenue from the public sector increased by approximately HK\$26.3 million for the year ended 31 March 2016. This was primarily due to the increase in revenue contributed from a public body, who was also one of our five largest clients for the year ended 31 March 2016, for the upgrade and maintenance of their servers.

For the five months ended 31 August 2016, we recorded a lower percentage of revenue contributed by the public sector as compared to the year ended 31 March 2016. The decrease was primarily attributable to the seasonality as described in the paragraph headed “Key factors affecting our results of operations — Seasonality” in this section, which led to lower percentage of revenue contributed by the Hong Kong Government during the five months ended 31 August 2016 as compared to the year ended 31 March 2016 and higher percentage of revenue contributed by the educational institutions and non-profit organisations sector of the same period.

Private sector

The increase in revenue from the private sector of approximately HK\$3.4 million for the year ended 31 March 2015 was mainly due to an increasing amount of revenue recognised from an international airline, who was one of our five largest clients for the year ended 31 March 2015, in the transportation sector whereby we provided IT infrastructure solutions services to them.

Revenue from the private sector experienced a decrease of approximately HK\$14.9 million for the year ended 31 March 2016. This was mainly attributable to the decrease in revenue contributed by the banking and finance sector and others sector, offset by an increase in revenue in the transportation sector from the aforementioned international airline.

The percentage of revenue from the private sector increased from approximately 56.0% for the year ended 31 March 2016 to approximately 63.7% for the five months ended 31 August 2016. The increase was mainly attributable to the increase in percentage of revenue recognised from the transportation sector as the aforementioned international airline remained to be our largest client for the five months ended 31 August 2016.

FINANCIAL INFORMATION

Revenue breakdown by geographical location

Our revenue was generated in Hong Kong and Macau during the Track Record Period. The following table sets out our revenue by geographical location for the years indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Hong Kong (Note 1)	1,080,262	99.8	1,061,229	99.7	1,071,978	99.7	410,959	99.4	436,835	100.0
Macau (Note 2)	1,825	0.2	2,923	0.3	3,513	0.3	2,425	0.6	—	—
Total:	1,082,087	100.0	1,064,152	100.0	1,075,491	100.0	413,384	100.0	436,835	100.0

Notes:

- Revenue was generated in Hong Kong when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Hong Kong.
- Revenue was generated in Macau when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Macau.

During the Track Record Period, we mainly operated in Hong Kong with less than 1% of our revenue being generated in Macau for each of the three years ended 31 March 2016 and the five months ended 31 August 2016. Our Macau operating subsidiary, Microware Macau, was de-registered in December 2015 and we had ceased all operation in Macau as at the Latest Practicable Date.

Cost of sales

Our cost of sales represented the costs directly associated with the provision of our IT infrastructure solutions services and IT managed services. It was the major expenditure item of our Group during the Track Record Period, amounting to approximately HK\$962.4 million, HK\$940.2 million, HK\$950.0 million and HK\$384.9 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The following table sets forth a breakdown of our cost of sales by categories of services for the years indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
IT infrastructure solutions services	893,530	92.8	859,134	91.4	862,790	90.8	337,213	92.2	354,182	92.0
IT managed services	68,917	7.2	81,060	8.6	87,205	9.2	28,493	7.8	30,765	8.0
Total:	962,447	100.0	940,194	100.0	949,995	100.0	365,706	100.0	384,947	100.0

FINANCIAL INFORMATION

IT infrastructure solutions services

For IT infrastructure solutions services, our cost of sales mainly consisted of (i) the cost of hardware and software; and (ii) direct staff costs.

The following table sets forth a breakdown of our cost of sales from IT infrastructure solutions services by nature for the years indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Cost of hardware and software	881,816	98.7	845,755	98.4	848,971	98.4	332,125	98.5	346,720	97.9
Direct staff costs	8,780	1.0	10,173	1.2	11,082	1.3	3,015	0.9	3,130	0.9
Subcontracting fee	2,934	0.3	3,206	0.4	2,737	0.3	2,073	0.6	4,332	1.2
Total	893,530	100.0	859,134	100.0	862,790	100.0	337,213	100.0	354,182	100.0

Cost of hardware and software represented the cost of hardware and software consumed in the provision of IT infrastructure solutions services. Cost of hardware and software was partially set off by cash incentives recognised from our suppliers, which amounted to approximately HK\$13.5 million, HK\$15.9 million, HK\$18.3 million and HK\$7.4 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Cash incentive was offered by hardware and/or software manufacturers and authorised distributors upon fulfilling certain performance targets under our resellership programmes. For details of our resellership programmes, please refer to the section headed “Business — Suppliers — Resellership programmes” in this prospectus.

Subcontracting fee was incurred as a result of the subcontracting of certain installation and implementation work for our IT infrastructure solutions service contracts, such as software upgrade, and upgrade, customisation and migration work, when specific qualifications or skills are required.

Direct staff costs represented the salaries, benefits and share-based payment of our employees directly involved in the provision of IT infrastructure solutions services.

IT managed services

The cost of sales for our IT managed services primarily consisted of (i) direct staff costs; (ii) subcontracting fee; and (iii) cost of hardware.

FINANCIAL INFORMATION

The following table sets forth our cost of sales breakdown from IT managed services by nature for the years indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Direct staff costs	35,496	51.5	36,198	44.7	31,871	36.6	13,497	47.4	13,987	45.5
Subcontracting fee	24,261	35.2	36,924	45.5	47,734	54.7	11,839	41.5	13,600	44.2
Cost of hardware	9,160	13.3	7,938	9.8	7,600	8.7	3,157	11.1	3,178	10.3
Total	<u>68,917</u>	<u>100.0</u>	<u>81,060</u>	<u>100.0</u>	<u>87,205</u>	<u>100.0</u>	<u>28,493</u>	<u>100.0</u>	<u>30,765</u>	<u>100.0</u>

Direct staff costs represented the salaries, benefit and share-based payment of our employees directly involved in the provision of IT managed services.

Subcontracting fee was incurred as a result of the subcontracting of certain labour-intensive work with low skill requirement and work requiring particular types of qualifications, skills, resources or equipment for our IT managed services, such as cabling work and maintenance and support work.

Cost of hardware represented the cost of spare parts consumed in the provision of IT managed services, such as motherboards, hard drives and cables, etc..

Gross profit and gross profit margin

Our gross profit was approximately HK\$119.6 million, HK\$124.0 million, HK\$125.5 million and HK\$51.9 million for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Our overall gross profit margin was approximately 11.1%, 11.6%, 11.7% and 11.9% for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

The following table sets forth our gross profit and gross profit margin of each category of our services for the years indicated:

	For the year ended 31 March									For the five months ended 31 August					
	2014			2015			2016			2015			2016		
	HK\$'000	% of total gross profit	% of gross margin	HK\$'000	% of total gross profit	% of gross margin	HK\$'000	% of total gross profit	% of gross margin	HK\$'000	% of total gross profit	% of gross margin	HK\$'000	% of total gross profit	% of gross margin
	(unaudited)														
IT infrastructure solutions services	101,415	84.8	10.2	104,515	84.3	10.8	100,569	80.1	10.4	39,304	82.4	10.4	41,023	79.1	10.4
IT managed services	18,225	15.2	20.9	19,443	15.7	19.3	24,927	19.9	22.2	8,374	17.6	22.7	10,865	20.9	26.1
Total	<u>119,640</u>	<u>100.0</u>	11.1	<u>123,958</u>	<u>100.0</u>	11.6	<u>125,496</u>	<u>100.0</u>	11.7	<u>47,678</u>	<u>100.0</u>	11.5	<u>51,888</u>	<u>100.0</u>	11.9

FINANCIAL INFORMATION

Other income

Our other income primarily comprised interest income from banks and related companies. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our other income amounted to approximately HK\$2.2 million, HK\$1.9 million, HK\$2.0 million and HK\$0.3 million, respectively.

Other net gains and losses

Our other net gains and losses primarily comprised (i) net foreign exchange gain; (ii) fair value changes of derivative financial instruments and structured deposits; and (iii) allowance for/reversal of bad and doubtful debt. The following table sets out the breakdown of our other net gains and losses during the Track Record Period:

	Year ended 31 March			For the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net foreign exchange gain	1,273	1,321	1,095	360	399
Fair value changes of derivative financial instruments	1,126	1,031	(156)	(1,781)	781
Reversal of (allowance for) bad and doubtful debt, net	473	(840)	(210)	(118)	—
Fair value changes of structured deposits	(429)	(6)	78	78	—
Loss on disposal of property, plant and equipment	—	—	(69)	(49)	—
	<u>2,443</u>	<u>1,506</u>	<u>738</u>	<u>(1,510)</u>	<u>1,180</u>

Net foreign exchange gain

Our net foreign exchange gain mainly comprised the transactional exchange differences arising from the settlement of our trade payables denominated in US\$ and the translational differences from the translation of US\$ denominated bank balances and cash and trade payables into HK\$. We would normally record a net exchange gain when there is an appreciation of HK\$ against US\$ and record a net foreign exchange loss when there is a depreciation of HK\$ against US\$.

FINANCIAL INFORMATION

Fair value changes of derivative financial instruments

Our fair value changes of derivative financial instruments comprised realised gain (loss) and unrealised fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by our Group.

We are required to transact with the banks monthly during the respective contract periods under the respective foreign currency forward contracts. Realised gain (loss) was then calculated based on the prevailing spot exchange rate and the transaction rate. These contracts were stated at fair value as at each financial position dates with changes in fair value recognised as unrealised gain (loss).

For more details of our foreign currency forward contracts, please refer to the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Derivative financial instruments” in this prospectus and Note 19 to the Accountants’ Report included in Appendix I to this prospectus.

Fair value changes of structured deposits

Our fair value changes in structured deposits represented the fair value gain (loss) on our US\$/RMB exchange rate linked structured investment deposits.

The deposits were valued as at each financial position date and maturity date with changes in fair value recognised as fair value gain (loss).

For more details of our structured deposits, please refer to the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Structured deposits” in this prospectus and Note 18 to the Accountants’ Report included in Appendix I to this prospectus.

Other expenses

Our other expenses represented donation to charities. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our other expenses represented approximately 0.2%, 0.2%, 0.2% and 0.3% of our revenue, respectively.

FINANCIAL INFORMATION

Distribution and selling expenses

Our distribution and selling expenses primarily comprised (i) staff costs in relation to marketing, sales, procurement, technical support and warehouse management; (ii) delivery expenses, and (iii) rent and related expenses. The following table sets forth the breakdown of our distribution and selling expenses during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Staff costs	46,213	80.8	50,031	81.5	51,633	82.5	19,312	81.9	20,905	83.6
Delivery expenses	3,463	6.1	3,190	5.2	2,973	4.8	1,190	5.1	1,224	4.9
Rent and related expenses	4,277	7.5	4,625	7.5	4,960	7.9	1,809	7.7	1,850	7.4
Travel and entertainment expenses	1,904	3.3	1,768	2.9	1,387	2.2	600	2.5	507	2.0
Advertising expenses	226	0.4	774	1.3	555	0.9	426	1.8	301	1.2
Depreciation	670	1.2	572	0.9	553	0.9	191	0.8	190	0.8
Others	413	0.7	422	0.7	504	0.8	57	0.2	36	0.1
Total	57,166	100.0	61,382	100.0	62,565	100.0	23,585	100.0	25,013	100.0

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our distribution and selling expenses represented approximately 5.3%, 5.8%, 5.8% and 5.7% of our revenue, respectively.

Administrative expenses

Our administrative expenses primarily comprised (i) staff costs in relation to accounting, human resources and other administrative functions; (ii) rent and related expenses; and (iii) directors' emoluments. The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March						For the five months ended 31 August			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Staff costs	8,962	39.8	8,007	36.1	7,782	34.2	3,013	34.0	3,557	36.8
Directors' emoluments	3,289	14.6	3,910	17.6	3,460	15.2	1,413	16.0	1,873	19.4
Rent and related expenses	1,927	8.6	2,144	9.7	2,129	9.4	1,184	13.4	1,079	11.2
Depreciation	1,791	7.9	1,511	6.8	709	3.1	298	3.4	214	2.2
Consultancy fee	1,954	8.7	1,954	8.8	1,954	8.6	814	9.2	—	—
Utilities	1,736	7.7	1,770	8.0	1,720	7.6	765	8.6	731	7.6
Bank charges	763	3.4	607	2.7	500	2.2	140	1.6	223	2.3
Insurance	529	2.3	547	2.5	506	2.2	217	2.4	199	2.0
Repair and maintenance	501	2.2	513	2.3	2,262	9.9	622	7.0	685	7.1
Others (Note)	1,081	4.8	1,237	5.5	1,713	7.6	392	4.4	1,098	11.4
Total	22,533	100.0	22,200	100.0	22,735	100.0	8,858	100.0	9,659	100.0

Note: Others mainly comprised office supply expenses, legal and professional fees and other sundry expenses.

FINANCIAL INFORMATION

During the three years ended 31 March 2016, we had incurred consultancy fee payable to Microware Solutions Limited, a company indirectly wholly owned by Mr. Yang of approximately HK\$2.0 million annually. Our Group ceased to pay consultancy fee to Microware Solutions Limited after 31 March 2016.

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our administrative expenses represented approximately 2.1%, 2.1%, 2.1% and 2.2% of our revenue, respectively.

Share-based payment transactions

Since the year ended 31 March 2007, Mr. Yang established the Share Award Scheme as a token of appreciation of the employees' contribution to our Group and to retain the employees with our Group. During the Track Record Period, we recognised share-based payment expenses of approximately HK\$1.3 million, HK\$3.3 million, HK\$1.4 million and nil for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively, based on a valuation performed by an independent valuer. During the Track Record Period, such expenses formed part of our staff costs (including directors' emoluments) which had been allocated to our cost of sales, distribution and selling expenses and administrative expenses.

Further details of the Share Award Scheme and share-based payment transactions can be referred to in the section headed "History, Reorganisation and corporate structure — Share Award Scheme" and Note 25 of the Accountants' Report included in Appendix I to this prospectus.

Listing expenses

Our listing expenses for the year ended 31 March 2016 and the five months ended 31 August 2016 represented approximately 0.2% and 2.1% of our revenue, respectively.

Finance costs

Our finance costs represented interest charges on bank borrowings. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our finance costs was approximately HK\$36,000, nil, nil and nil, respectively.

Taxation

Our taxation represented provision for Hong Kong current and deferred tax expenses. Our effective tax rates, calculated as the taxation divided by the profit before taxation, were approximately 16.7%, 17.6%, 18.4% and 34.0% for each of the three years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

The statutory profit tax rate of our subsidiary incorporated in Hong Kong is 16.5%. The income taxes imposed on our Group consisted of Hong Kong profit tax imposed on Microware Ltd.. Except for Microware Ltd., no provision for income tax had been made during the Track Record

FINANCIAL INFORMATION

Period as our Company, Microware BVI, Microware Computer Systems, ProAct IT, Cumulus and Microware Macau, our de-registered Macau subsidiary, did not have assessable profits subject to income tax during the Track Record Period.

Our Directors confirm, as at the Latest Practicable Date, that we had made all required tax filings in all relevant jurisdictions and paid all tax liabilities that had become due. We were not subject to any dispute or potential dispute with any tax authorities.

REVIEW OF HISTORICAL OPERATING RESULTS

Year to year/Period to period comparison of results of operations

Year ended 31 March 2014 compared to year ended 31 March 2015

Revenue

Our revenue decreased slightly by approximately 1.7% to approximately HK\$1,064.2 million for the year ended 31 March 2015 from approximately HK\$1,082.1 million for the year ended 31 March 2014. This decrease was primarily due to the decrease in revenue from IT infrastructure solutions services offset by the increase in revenue from IT managed services.

Revenue from IT infrastructure solutions services

Revenue from IT infrastructure solutions services decreased by approximately 3.1% to approximately HK\$963.6 million for the year ended 31 March 2015 from approximately HK\$994.9 million for the year ended 31 March 2014. This decrease was primarily due to a relatively larger amount of revenue was recognised from the upgrading of computers and operating systems in the year ended 31 March 2014 as a result of the termination of support on one of the operating systems of an American multinational IT group which is well-known for its operating systems on 8 April 2014. Demand for new computers was thus created as replacement was required to support the specifications of the new operating system.

Revenue from IT managed services

Revenue from IT managed services increased by approximately 15.4% to approximately HK\$100.5 million for the year ended 31 March 2015 from approximately HK\$87.1 million for the year ended 31 March 2014. Among our IT managed services, the revenue generated from our IT outsourcing and secondment services dropped by approximately HK\$0.5 million and the revenue generated from our cabling, hardware rental, data erasure and system relocation services dropped by approximately HK\$1.9 million. Nevertheless, we had a significant growth of approximately HK\$16.2 million in the revenue from our hardware and system maintenance and support services for the year ended 31 March 2015 due to the product maintenance policy change of two manufacturers in first half of 2013 and 2014 whereby legal access to their firmware updates and fixes were made only available to users with valid authorisations. As we are able to gain legal access to such firmware updates and fixes, the policy change had triggered an increase in demand for our hardware and system maintenance and support services.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales decreased slightly by approximately 2.3% to approximately HK\$940.2 million for the year ended 31 March 2015 from approximately HK\$962.4 million for the year ended 31 March 2014. This decrease was primarily attributable to the decrease in cost of sales from IT infrastructure solutions services which was partially offset by the increase in cost of sales from IT managed services.

Cost of sales from IT infrastructure solutions services

Cost of sales for IT infrastructure solutions services decreased by approximately 3.9% to approximately HK\$859.1 million for the year ended 31 March 2015 from approximately HK\$893.5 million for the year ended 31 March 2014. This decrease was mainly attributable to the decrease in our cost of hardware and software which was in line with the decrease in revenue from our IT infrastructure solutions services.

Cost of sales from IT managed services

Cost of sales for IT managed services increased by approximately 17.7% to approximately HK\$81.1 million for the year ended 31 March 2015 from approximately HK\$68.9 million for the year ended 31 March 2014. This increase was primarily due to the increase in subcontracting fee of approximately HK\$12.7 million which was in line with the significant growth of our hardware and system maintenance and support services. As a result of the product maintenance policy change of the two manufacturers, their firmware updates and fixes were also no longer directly accessible by us free of charge. In order to maintain legal access to such firmware updates and fixes to cater the increased demand, our subcontracted maintenance work in this regard had accordingly increased.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 3.7% to approximately HK\$124.0 million for the year ended 31 March 2015 from approximately HK\$119.6 million for the year ended 31 March 2014. Our gross profit margin had increased to approximately 11.6% for the year ended 31 March 2015 from approximately 11.1% for the year ended 31 March 2014. This increase was attributable to the increase in gross profit for both our IT infrastructure solutions services and IT managed services.

Gross profit and gross profit margin for IT infrastructure solutions services

Our gross profit for IT infrastructure solutions services increased by approximately 3.1% to approximately HK\$104.5 million for the year ended 31 March 2015 from approximately HK\$101.4 million for the year ended 31 March 2014. Our gross profit margin for IT infrastructure solutions services increased to approximately 10.8% for the year ended 31 March 2015 from approximately 10.2% for the year ended 31 March 2014. The increase was primarily due to the decrease in the proportion of revenue contributed from the sales of computers which has generally yielded lower profit margin as compared to our other types of services provided in our IT infrastructure solutions services.

FINANCIAL INFORMATION

Gross profit and gross profit margin for IT managed services

Our gross profit for IT managed services increased by approximately 6.6% to approximately HK\$19.4 million for the year ended 31 March 2015 from approximately HK\$18.2 million for the year ended 31 March 2014. Our gross profit margin for IT managed services decreased to approximately 19.3% for the year ended 31 March 2015 from approximately 20.9% for the year ended 31 March 2014. This decrease in gross profit margin was primarily the result of an increased involvement of subcontractors in our hardware and software maintenance and support services, which generally yield a lower profit margin.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately 7.3% to approximately HK\$61.4 million for the year ended 31 March 2015 from approximately HK\$57.2 million for the year ended 31 March 2014. This increase was primarily attributable to the increase in staff costs of our sales team as a result of increase in headcount of our sales team in Macau and relocation of certain employees from our human resources and administration team to sales team to assist in sales-related administrative work.

Administrative expenses

Our administrative expenses slightly decreased by approximately 1.3% to approximately HK\$22.2 million for the year ended 31 March 2015 from approximately HK\$22.5 million for the year ended 31 March 2014. This decrease was mainly attributable to the decrease in staff costs of our human resources and administrative team as a result of relocation of certain employees from human resources and administration team to sales team to assist in sales-related administrative work which was offset by the increase in rent and related expenses.

Finance costs

Our finance costs decreased to nil for the year ended 31 March 2015 from approximately HK\$36,000 for the year ended 31 March 2014 as our previous bank borrowings had been repaid as at 31 March 2014.

Taxation

Our taxation increased by approximately 4.3% to approximately HK\$7.3 million for the year ended 31 March 2015 from approximately HK\$7.0 million for the year ended 31 March 2014. Since our profit before taxation for the year ended 31 March 2015 was arrived at after incurring an increase in share-based payments which are expenses not deductible for tax purposes, our effective tax rate for the year ended 31 March 2015 increased to approximately 17.6% from approximately 16.7% for the year ended 31 March 2014 and we therefore recorded a higher taxation during the year ended 31 March 2015.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, in particular the increase in distribution and selling expenses which was partially offset by the increase in gross profit, our profit for the year decreased by approximately 2.9% to approximately HK\$34.0 million for the year ended 31 March 2015 from approximately HK\$35.0 million for the year ended 31 March 2014. Our net profit margin remained stable at approximately 3.2% for the years ended 31 March 2014 and 31 March 2015.

Year ended 31 March 2015 compared to year ended 31 March 2016

Revenue

Our revenue increased by approximately 1.1% to approximately HK\$1,075.5 million for the year ended 31 March 2016 from approximately HK\$1,064.2 million for the year ended 31 March 2015. This increase was primarily due to the increase in revenue from our IT managed services.

Revenue from IT infrastructure solutions services

Revenue from IT infrastructure solutions services slightly decreased to approximately HK\$963.4 million for the year ended 31 March 2016 from approximately HK\$963.6 million for the year ended 31 March 2015.

Revenue from IT managed services

Revenue from IT managed services increased by approximately 11.5% to approximately HK\$112.1 million for the year ended 31 March 2016 from approximately HK\$100.5 million for the year ended 31 March 2015. Despite the decrease in revenue contributed by our IT outsourcing and secondment services by approximately HK\$0.8 million, we achieved a growth on the revenue from our hardware and system maintenance and support services and our cabling, hardware rental, data erasure and system relocation services of approximately HK\$11.7 million and HK\$0.9 million, respectively, during the year ended 31 March 2016.

Cost of sales

Our cost of sales increased by approximately 1.0% to approximately HK\$950.0 million for the year ended 31 March 2016 from approximately HK\$940.2 million for the year ended 31 March 2015. This increase was attributable to the increase in cost of sales from both our IT infrastructure solutions services and IT managed services.

Cost of sales from IT infrastructure solutions services

Cost of sales for IT infrastructure solutions services increased by approximately 0.4% to approximately HK\$862.8 million for the year ended 31 March 2016 from approximately HK\$859.1 million for the year ended 31 March 2015. This increase was primarily due to the increase in cost of hardware and software as a result of an one-off allowance for inventory of approximately HK\$5.9 million in relation to an IT infrastructure solutions service contract entered into with a

FINANCIAL INFORMATION

client in the telecommunications sector, details of which can be referred in the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Inventories” in this prospectus.

Cost of sales from IT managed services

Cost of sales for IT managed services increased by approximately 7.5% to approximately HK\$87.2 million for the year ended 31 March 2016 from approximately HK\$81.1 million for the year ended 31 March 2015. This increase was primarily attributable to the increase in subcontracting fee as a result of the increase in our sales of hardware and system maintenance and support services. The increase in subcontracting fee was partially offset by the decrease in staff costs in the year ended 31 March 2016 as compared to that in the year ended 31 March 2015 due to the reduced headcount involved in the provision of IT managed services, in particular, our IT outsourcing and secondment services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 1.2% to approximately HK\$125.5 million for the year ended 31 March 2016 from approximately HK\$124.0 million for the year ended 31 March 2015. Our gross profit margin slightly increased to approximately 11.7% for the year ended 31 March 2016 from approximately 11.6% for the year ended 31 March 2015. This increase was primarily attributable to the increase in gross profit and gross profit margin from IT managed services which was partially offset by the decrease in gross profit and gross profit margin from IT infrastructure solutions services.

Gross profit and gross profit margin for IT infrastructure solutions services

Our gross profit for IT infrastructure solutions services decreased by approximately 3.7% to approximately HK\$100.6 million for the year ended 31 March 2016 from approximately HK\$104.5 million for the year ended 31 March 2015. Our gross profit margin for IT infrastructure solutions services slightly decreased to approximately 10.4% for the year ended 31 March 2016 from approximately 10.8% for the year ended 31 March 2015. This decrease was mainly due to the increase in cost of hardware and software as a result of an one-off allowance for inventory of approximately HK\$5.9 million in relation to an IT infrastructure solutions service contract entered into with a client in the telecommunications sector.

Gross profit and gross profit margin for IT managed services

Our gross profit for IT managed services increased by approximately 28.4% to approximately HK\$24.9 million for the year ended 31 March 2016 from approximately HK\$19.4 million for the year ended 31 March 2015. Our gross profit margin for IT managed services increased to approximately 22.2% for the year ended 31 March 2016 from approximately 19.3% for the year ended 31 March 2015. This increase was primarily due to the decrease in staff costs as a result of the reduced headcount in the provision of IT managed services.

FINANCIAL INFORMATION

Distribution and selling expenses

Our distribution and selling expenses slightly increased by approximately 2.0% to approximately HK\$62.6 million for the year ended 31 March 2016 from approximately HK\$61.4 million for the year ended 31 March 2015. This increase was attributable to the increase in staff costs in relation to the expansion of our sales team.

Administrative expenses

Our administrative expenses increased by approximately 2.3% to approximately HK\$22.7 million for the year ended 31 March 2016 from approximately HK\$22.2 million for the year ended 31 March 2015. This increase was attributable to the increase in repair and maintenance expenses as a result of the repair expenses incurred for lift maintenance.

Listing expenses

We had recognised approximately HK\$2.4 million listing expenses for the year ended 31 March 2016. No listing expenses was recognised in the year ended 31 March 2015.

Taxation

Our taxation decreased by approximately 2.7% to approximately HK\$7.1 million for the year ended 31 March 2016 from approximately HK\$7.3 million for the year ended 31 March 2015. Our effective tax rate for the year ended 31 March 2016 increased to approximately 18.4% from approximately 17.6% for the year ended 31 March 2015 as a result of approximately HK\$2.4 million listing expenses recognised in the year ended 31 March 2016.

Profit for the year

As a result of the foregoing, in particular the listing expenses recognised, our profit for the year decreased by approximately 8.2% to approximately HK\$31.2 million for the year ended 31 March 2016 from approximately HK\$34.0 million for the year ended 31 March 2015. Our net profit margin decreased to approximately 2.9% for the year ended 31 March 2016 from approximately 3.2% for the year ended 31 March 2015.

Five months ended 31 August 2015 compared to five months ended 31 August 2016

Revenue

Our revenue increased by approximately 5.7% to approximately HK\$436.8 million for the five months ended 31 August 2016 from approximately HK\$413.4 million for the five months ended 31 August 2015. This increase was due to the increase in revenue from both IT infrastructure solutions services and IT managed services.

FINANCIAL INFORMATION

Revenue from IT infrastructure solutions services

Revenue from IT infrastructure solutions services increased by approximately 5.0% to approximately HK\$395.2 million for the five months ended 31 August 2016 from approximately HK\$376.5 million for the five months ended 31 August 2015. Our revenue grew slightly faster than the estimated growth of revenue of approximately 3.2% in the IT infrastructure solutions industry in Hong Kong as mentioned in the Ipsos Report.

Revenue from IT managed services

Revenue from IT managed services increased by approximately 12.7% to approximately HK\$41.6 million for the five months ended 31 August 2016 from approximately HK\$36.9 million for the five months ended 31 August 2015. This increase was primarily due to the increase in revenue from our hardware and system maintenance and support services.

Cost of sales

Our cost of sales increased by approximately 5.3% to approximately HK\$384.9 million for the five months ended 31 August 2016 from approximately HK\$365.7 million for the five months ended 31 August 2015. This increase was primarily attributable to the increase in cost of sales from IT infrastructure solutions services.

Cost of sales from IT infrastructure solutions services

Cost of sales for IT infrastructure solutions services increased by approximately 5.0% to approximately HK\$354.2 million for the five months ended 31 August 2016 from approximately HK\$337.2 million for the five months ended 31 August 2015. The increase was primarily due to increase in cost of hardware and software which was in line with the increase in revenue of IT infrastructure solutions services.

Cost of sales from IT managed services

Cost of sales from IT managed services increased by approximately 8.1% to approximately HK\$30.8 million for the five months ended 31 August 2016 from approximately HK\$28.5 million for the five months ended 31 August 2015. The increase was primarily due to increase in subcontracting fee as a result of the growth of our sales of hardware and system maintenance and support services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 8.8% to approximately HK\$51.9 million for the five months ended 31 August 2016 from approximately HK\$47.7 million for the five months ended 31 August 2015. This increase was attributable to the increase in gross profit for both our IT infrastructure solutions services and IT managed services. Our gross profit margin had increased to approximately 11.9% for the five months ended 31 August 2016 from approximately 11.5% for the five months ended 31 August 2015. This increase was mainly attributable to the increase in gross profit margin from our IT managed services.

FINANCIAL INFORMATION

Gross profit and gross profit margin for IT infrastructure solutions services

Our gross profit for IT infrastructure solutions services increased by approximately 4.3% to approximately HK\$41.0 million for the five months ended 31 August 2016 from approximately HK\$39.3 million for the five months ended 31 August 2015. Our gross profit margin for IT infrastructure solutions services remained stable at approximately 10.4% for the five months ended 31 August 2016 compared with that for the five months ended 31 August 2015.

Gross profit and gross profit margin for IT managed services

Our gross profit for IT managed services increased by approximately 29.8% to approximately HK\$10.9 million for the five months ended 31 August 2016 from approximately HK\$8.4 million for the five months ended 31 August 2015. Our gross profit margin for IT managed services increased to approximately 26.1% for the five months ended 31 August 2016 from approximately 22.7% for the five months ended 31 August 2015. This increase was primarily due to the increase in revenue from hardware and system maintenance and support services provided by our own staff which generally yield a higher profit margin.

Distribution and selling expenses

Our distribution and selling expenses increased slightly by approximately 5.9% to approximately HK\$25.0 million for the five months ended 31 August 2016 from approximately HK\$23.6 million for the five months ended 31 August 2015. This increase was primarily attributable to increase in staff cost in relation to salary adjustment.

Administrative expenses

Our administrative expenses increased by approximately 9.0% to approximately HK\$9.7 million for the five months ended 31 August 2016 from approximately HK\$8.9 million for the five months ended 31 August 2015. This increase was primarily attributable to the increase in audit expense recognised in the five months ended 31 August 2016.

Listing expenses

We had recognised approximately HK\$9.2 million listing expenses for the five months ended 31 August 2016 while no listing expenses was recognised for the five months ended 31 August 2015.

Taxation

Our taxation increased by approximately 12.0% to approximately HK\$2.8 million for the five months ended 31 August 2016 from approximately HK\$2.5 million for the five months ended 31 August 2015. The effective tax rate increased from approximately 19.0% for the five months ended 31 August 2015 to approximately 34.0% for the five months ended 31 August 2016 which was mainly due to listing expenses of approximately HK\$9.2 million recognised in the five months ended 31 August 2016.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, in particular the listing expenses recognised, our profit for the period decreased by approximately 49.5% to approximately HK\$5.5 million for the five months ended 31 August 2016 from approximately HK\$10.9 million for the five months ended 31 August 2015. Our net profit margin decreased to approximately 1.3% for the five months ended 31 August 2016 from approximately 2.6% for the five months ended 31 August 2015.

NET CURRENT ASSETS AND SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets, current liabilities, and selected items of the consolidated statements of financial position as at the respective financial position dates indicated:

	As at 31 March			As at 31 August	As at 31 December
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
CURRENT ASSETS					
Inventories	36,144	32,546	54,411	27,618	24,302
Trade and other receivables, repayment and deposits	141,850	158,521	178,184	226,849	243,241
Amount due from related parties	93,400	95,950	—	—	—
Structured deposits	20,588	8,177	—	—	—
Derivative financial instruments	110	—	—	—	—
Bank balances and cash	<u>85,474</u>	<u>104,489</u>	<u>108,037</u>	<u>43,093</u>	<u>96,293</u>
Total current assets	<u>377,566</u>	<u>399,683</u>	<u>340,632</u>	<u>297,560</u>	<u>363,836</u>
CURRENT LIABILITIES					
Trade and other payables and accruals	218,682	241,698	233,330	184,303	236,248
Derivative financial instruments	—	94	170	304	203
Tax liabilities	<u>2,208</u>	<u>3,190</u>	<u>2,482</u>	<u>3,424</u>	<u>5,052</u>
Total current liabilities	<u>220,890</u>	<u>244,982</u>	<u>235,982</u>	<u>188,031</u>	<u>241,503</u>
NET CURRENT ASSETS	<u>156,676</u>	<u>154,701</u>	<u>104,650</u>	<u>109,529</u>	<u>122,333</u>

As at 31 March 2014 and 31 March 2015, we had net current assets of approximately HK\$156.7 million and HK\$154.7 million, respectively. We recorded net current assets of approximately HK\$104.7 million as at 31 March 2016. The decrease was mainly due to the dividends of HK\$84.0 million declared, of which HK\$33.8 million was settled-off with the amount

FINANCIAL INFORMATION

due from related parties during the year ended 31 March 2016. An increase was recorded in our net current asset position as at 31 December 2016 as a result of the profit we recognised during the period.

Inventories

Our inventories mainly comprised hardware and software and the table below sets out the balance of our inventories as at the respective financial position dates indicated:

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Inventories				
Finished goods	36,144	32,546	54,411	27,618

We normally place orders with our suppliers upon confirmation of orders from clients on a back-to-back basis, which gives us flexibility in our sales strategies and minimises our risk exposure to obsolete stock as the lifecycle of hardware and/or software is normally short and reduces our working capital requirement. We keep a minimal level of inventories which are commonly used in our services in order to save order lead time.

The inventory balance decreased from approximately HK\$36.1 million as at 31 March 2014 to approximately HK\$32.5 million as at 31 March 2015 and increased to approximately HK\$54.4 million as at 31 March 2016. The increase in the year ended 31 March 2016 was mainly due to one new IT infrastructure solutions service contract with the contract sum of approximately HK\$12.4 million awarded to us during the year ended 31 March 2016 and two IT infrastructure solutions service contracts with the aggregate contract sum of approximately HK\$72.1 million awarded to us during the year ended 31 March 2015. As at 31 March 2016, inventory worth of approximately HK\$19.9 million was attributable to the abovementioned three contracts. The inventory balance decreased to approximately HK\$27.6 million as at 31 August 2016 from approximately HK\$54.4 million as at 31 March 2016 as the inventories for the abovementioned contracts have been delivered subsequently after 31 March 2016.

Our management reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items, in particular, on items without stock movement for over 60 days. Our management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, our Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

FINANCIAL INFORMATION

Reversal of the allowance for inventories of approximately HK\$1.2 million and HK\$2.3 million are credited for the year ended 31 March 2015 and five months ended 31 August 2016, respectively. Allowance for inventories of approximately HK\$1.5 million and HK\$6.3 million were recognised for the years ended 31 March 2014 and 31 March 2016, respectively.

In June 2015, we had procured from a manufacturer certain software subscriptions amounting to US\$1.2 million (equivalent to approximately HK\$9.4 million) for an IT infrastructure solutions service contract we entered into with a client from the telecommunications sector and such procurement cost was recognised as inventories before selling to the client. As confirmed by our Directors, as a result of certain issues which were not caused by our Group, the client was not able to use the software subscriptions as intended. After becoming aware of the situation, our management started negotiations with the manufacturer and successfully resold a small amount of the unused subscriptions to other clients. We also recovered the procurement cost of approximately HK\$1.9 million from the manufacturer.

Given the subscriptions would expire in June 2016, after taking into account the aforesaid recovered procurement cost and the non-refundable upfront payment of US\$150,000 (equivalent to approximately HK\$1.2 million) pursuant to the IT infrastructure solutions service contract, our management decided to recognise an allowance for the remaining carrying amount of the software subscriptions of approximately HK\$5.9 million for the year ended 31 March 2016.

The table below sets out our average inventory turnover days for the relevant year indicated:

	Year ended 31 March			Five months ended 31 August
	2014	2015	2016	2016
	Average inventory turnover days (<i>Note</i>)	13.7	13.3	16.8

Note: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year/period, divided by the cost of sales for that year/period, multiplied by 365, 366 or 153 days.

Our average inventory turnover days for the year ended 31 March 2016 increased significantly due to the three IT infrastructure solutions service contracts previously mentioned. The inventory we ordered due to these three contracts during the year ended 31 March 2016 shall be provided to our two clients in stages during the year.

Except for the year ended 31 March 2016 as explained above, we had been able to maintain our average inventory turnover days at a relatively low level during the Track Record Period as we normally place orders with our suppliers upon confirmation of orders from our clients on a back-to-back basis so as to minimise our inventory obsolescence risk and reduce our working capital requirement. Our Group maintained a relatively low level of inventory compared to its revenue and the inventory turnover period is short. For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our average inventory turnover days were approximately 13.7 days, 13.3 days, 16.8 days and 16.3 days, respectively. As inventory moves fast and the inventory

FINANCIAL INFORMATION

balances may fluctuate significantly due to project progress requirements from time to time, the difference between the beginning and closing inventory balances as at the respective financial year/period end may not be an effective indicator in assessing the revenue recognised during the corresponding period. Alternatively, on the assumption that the procurement cost per unit remains relatively stable, the cost of hardware and software, which formed part of our cost of sales, should serve as a better indicator in assessing the revenue recognised.

As at the Latest Practicable Date, approximately HK\$27.6 million (or approximately 99.9%) of our inventories as at 31 August 2016 had been sold.

Trade and other receivables, prepayments and deposits

The table below sets forth the breakdown of the trade and other receivables, prepayments and deposits.

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	129,610	144,638	151,915	187,719
Less: Allowance for bad and doubtful debts	(14)	(854)	(495)	(495)
	129,596	143,784	151,420	187,224
Rental deposits	312	323	331	344
Prepayment for costs of maintenance services	11,331	12,637	17,148	22,607
Deposits paid to supplier	—	—	7,800	17,160
Others	2,082	2,925	4,217	1,750
Total trade and other receivables, deposits and prepayments	<u>143,321</u>	<u>159,669</u>	<u>180,916</u>	<u>229,085</u>
Analysed as:				
Current	141,850	158,521	178,184	226,849
Non-current	<u>1,471</u>	<u>1,148</u>	<u>2,732</u>	<u>2,236</u>
	<u>143,321</u>	<u>159,669</u>	<u>180,916</u>	<u>229,085</u>

Trade receivables

We recorded trade receivables from the provision of IT infrastructure solutions services and IT managed services to our clients during the Track Record Period. Our trade receivables increased from approximately HK\$129.6 million as at 31 March 2014 to approximately HK\$143.8 million as at 31 March 2015 and further increased to approximately HK\$151.4 million as at 31 March 2016.

FINANCIAL INFORMATION

The increase was mainly due to the increase in revenue recognised in March of each year. Our trade receivables further increased to approximately HK\$187.2 million as at 31 August 2016, which was primarily due to the receivables payable by certain of our five largest clients for the five months ended 31 August 2016, which is in line with the large amount of revenue recognised from them.

We generally granted a credit period of 30 days to 60 days to our clients during the Track Record Period. An extension of credit period may be granted at our discretion on a case-by-case basis and would not be set forth in the payment terms in our agreements with the relevant clients. In general, we take into account the transaction, settlement and account receivable record and the reputation of the client involved. Before accepting any new client, as part of our credit control policy, we perform a credit review to assess the potential client's credit quality and define the credit limits of the potential client. The limits and credit rating assigned to clients are reviewed on a regular basis.

The following table sets forth the ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	59,869	76,928	87,645	72,551
31 to 60 days	31,531	30,365	25,238	51,319
61 to 90 days	13,210	18,337	11,365	41,407
91 to 120 days	8,739	13,352	19,781	4,370
121 to 180 days	7,654	3,934	6,197	10,013
Over 180 days	8,593	868	1,194	7,564
	<u>129,596</u>	<u>143,784</u>	<u>151,420</u>	<u>187,224</u>

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, the aggregate carrying amounts of approximately HK\$83.0 million, HK\$78.4 million, HK\$75.3 million and HK\$128.8 million were past due, respectively, for which we had not provided for impairment loss as there were settlements subsequent to the end of the reporting period or there were continuous settlements by the respective clients and the amounts were still considered recoverable. We did not hold any collateral over these balances. The average age of these receivables was approximately 63.7 days, 41.3 days, 49.8 days and 66.7 days as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, respectively.

FINANCIAL INFORMATION

Ageing of trade receivables from third parties past due but not impaired

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	39,538	43,361	34,654	56,483
31 to 60 days	16,616	14,942	12,668	48,787
61 to 90 days	9,812	14,574	19,641	4,502
91 to 120 days	5,683	2,701	4,699	4,907
121 to 180 days	4,832	2,115	2,662	8,724
Over 180 days	6,528	679	943	5,385
	83,009	78,372	75,267	128,788

Our Group reviews trade receivable balances and ageing on a regular basis for evidence of impairment. Allowance for trade receivables is made when the amount has been past due for over 90 days and the recovery is considered remote.

Net reversal of the allowance for bad and doubtful debts of approximately HK\$0.5 million was credited for the year ended 31 March 2014. Allowance for bad and doubtful debts of approximately HK\$0.8 million, HK\$0.2 million and nil were charged for the years ended 31 March 2015 and 31 March 2016 and the five months ended 31 August 2016, respectively.

The table below sets out our average trade receivable turnover days for the relevant years indicated:

	Year ended 31 March			Five months ended
	2014	2015	2016	31 August
				2016
Average trade receivable turnover days (<i>Note</i>)	45.5	46.9	50.2	59.3

Note: Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year/period, divided by the revenue for that year/period, multiplied by 365, 366 or 153 days.

Our average trade receivable turnover days lengthened because of the increase in trade receivable balances as a result of the increase in the revenue recognised in March of each year during the Track Record Period before the respective financial year end. In addition, since the receivables arising from certain large-scale contracts we have undertaken remained outstanding as at 31 August 2016, our average trade receivable turnover days were further lengthened.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately HK\$179.3 million, or 95.7%, of the trade receivables as at 31 August 2016 was subsequently settled.

Other receivables, prepayments and deposits

Our other receivables, prepayments and deposits mainly comprised (i) prepayment for cost of maintenance services; (ii) deposit and prepayment to suppliers for purchase of hardware and software; and (iii) prepayment of listing expenses. The balance of prepayment for cost of maintenance services increased from approximately HK\$11.3 million as at 31 March 2014 to approximately HK\$12.6 million as at 31 March 2015 and further increased to approximately HK\$17.1 million as at 31 March 2016 and HK\$22.6 million as at 31 August 2016 as a result of the increase in revenue from IT managed services driven by the increase in sales of hardware and system maintenance and support services. The deposits of approximately HK\$7.8 million as at 31 March 2016 and HK\$17.2 million as at 31 August 2016 were paid to a supplier for temporary credit limit increase.

Amounts due from related companies

As at 31 March 2014, our amounts due from related parties consisted of (i) advance made to our Shareholder, Microware International; and (ii) consideration of the sale of the existing office premises in Kwun Tong by Microware Ltd. to Microware Properties for a consideration of approximately HK\$22.0 million in August 2005.

Amounts due from Microware International is interest bearing at 1.25% per annum plus the Hong Kong Interbank Offered Rate. Amounts due from Microware Properties is interest bearing at the HK\$ Best Lending Rate quoted by DBS Bank (Hong Kong) Limited less 2.5% per annum. Mr. Yang is the director and controlling shareholder of these related companies.

Our amounts due from related parties had been fully settled as at 31 March 2016 and there were no outstanding amounts as at 31 August 2016.

FINANCIAL INFORMATION

Structured deposits

During the Track Record Period, we held the following agreements of structured deposits for investment purposes:

<u>Principal amount</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Fixing date</u>	<u>Annual coupon rate</u>	<u>Strike rate</u>
RMB10,000,000	20 May 2013	20 May 2014	20 May 2014	4.0%	6.1450
RMB6,500,000	11 June 2013	13 June 2014	11 June 2014	8.0%	6.0867
RMB6,500,000	3 March 2014	3 September 2015	27 August 2015	6.6%	6.0330
			As at 31 March		As at 31 August
			<u>2014</u>	<u>2015</u>	<u>2016</u>
			<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Analysed as:					
Current		20,588	8,177	—	—
Non-current		<u>8,111</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>28,699</u>	<u>8,177</u>	<u>—</u>	<u>—</u>

The structured deposits were placed with banks in Hong Kong of which the annual coupon rate was dependent on whether the spot rate for conversion of RMB for US\$ as prevailing in the international foreign exchange market on a specified date is equal to or less than the exchange rate as specified in the relevant agreements.

As at each financial position date, the structured deposits were stated at fair value, which was calculated using discounted cash flow analysis based on applicable yield curves of the relevant exchange rate. The decrease of the deposit balance was due to the maturity of the structured deposits.

We recognised a fair value gain of approximately HK\$78,000 for the year ended 31 March 2016 and fair value losses of approximately HK\$0.4 million and HK\$6,000 for the years ended 31 March 2014 and 31 March 2015, respectively, from the structured deposits. We had not recognised any gain or loss from the change in fair value of structured deposits for the five months ended 31 August 2016.

As at the Latest Practicable Date, we had ceased to invest or hold any structured deposits. Our Directors confirm that our Group will cease to invest in any structured deposit after the Listing.

FINANCIAL INFORMATION

Derivative financial instruments

During the Track Record Period, we have entered into the following HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in our regular course of business:

	Notional amount 1	Notional amount 2	Contract date	Lower strike price	Upper strike price	Beginning fixing date	Ending fixing date
Contract A	US\$300,000	US\$900,000	5 January 2012	7.7450	7.8000	26 April 2012	26 June 2013
Contract B	US\$300,000	US\$900,000	5 January 2012	7.7450	7.8000	11 April 2012	11 June 2013
Contract C	US\$300,000	US\$900,000	8 November 2012	7.7250	7.7800	5 December 2012	5 November 2014
Contract D	US\$300,000	US\$900,000	8 November 2012	7.7250	7.7800	19 December 2012	10 November 2014
Contract E	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	4 December 2014	4 August 2016
Contract F	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	18 December 2014	18 August 2016
Contract G	US\$750,000	US\$1,500,000	6 March 2013	7.7180	7.7480	4 July 2013	8 June 2015
Contract H	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	3 August 2015	2 November 2016
Contract I	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	17 August 2015	8 November 2016
Contract J	US\$300,000	US\$900,000	13 August 2015	7.7250	7.7600	15 September 2015	15 August 2017
Contract K	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	8 September 2016	9 August 2017
Contract L	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	22 September 2016	24 August 2017

We are required to transact with the banks monthly during the respective contractual periods for designated notional amounts under the respective contracts. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market (“Spot Rate”) on fixing date is higher than the upper strike price, we will pay the bank for an amount equivalent to notional amount 1 multiplied by (i) the difference between the upper strike price and lower strike price; or (ii) the difference between the spot rate and bonus points ranging from 0 to 0.055, depending on the respective contract terms. If the Spot Rate on fixing date is lower than the upper strike price but higher than the lower strike price, we will buy notional amount 1 from the banks at the lower strike price. If the Spot Rate on fixing date is lower than the lower strike price, we will buy notional amount 2 at the lower strike price from the banks.

Even though HK\$ is pegged to US\$ by the Hong Kong Monetary Authority at a range between 7.75 to 7.85, by entering into these contracts, we are able to narrow the range arising from the fluctuation of exchange rate of US\$ against HK\$ and hence further mitigating our exposure to currency risk arising from trade payables denominated in US\$.

The above contracts are measured at fair value at each financial position date. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted forward exchange rates at each financial position date.

We recognised a fair value gain of approximately HK\$1.1 million, HK\$1.0 million and HK\$0.8 million for the two years ended 31 March 2015 and the five months ended 31 August 2016, respectively, and a fair value loss of approximately HK\$0.2 million for the year ended 31 March 2016 from the foreign currency forward contracts.

FINANCIAL INFORMATION

As confirmed by our Directors, we intend to continue entering into foreign currency forward contracts as part of our hedging policy, subject to the following internal control measures:

- Mr. Yang and Mr. Chu, our executive Directors, and Ms. Chan Wai Hing Gloria, our chief financial officer, had been involved in approving the entering into of foreign currency forward contracts and our chief financial officer would monitor the foreign currency forward contracts and report regularly to our Directors. We believe that Mr. Yang, Mr. Chu and Ms. Chan Wai Hing Gloria have sufficient experience in overseeing such transactions given that (i) Mr. Yang was previously a chartered accountant of The Institute of Chartered Accountants and Canadian Institute of Chartered Accountants; (ii) Mr. Chu received a bachelor's degree in business (economics and finance) from Royal Melbourne Institute of Technology University in Australia; and (iii) Ms. Chan Wai Hing Gloria is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. For details of their biographies, please refer to the section headed "Directors and senior management" in this prospectus;
- a banking facilities committee, with our two executive Directors and our chief financial controller as members, is established to oversee and approve all hedging activities;
- the abovementioned committee is responsible for (i) monitoring the financial risk level through weekly reports from the accounting team; and (ii) approving the foreign currency forward contracts when the position limit is exceeded;
- the position limit for all derivative instruments is set at US\$5 million; and
- a set of internal control procedures on foreign currency forward contracts is formalised as one of our policies.

The members of the aforementioned banking facilities committee closely monitors our Group's foreign exchange exposure as well as fluctuations in the exchange rate between US\$ and HK\$. They will consider entering into foreign currency forward contracts should the need arise. Our Group does not have any other hedging strategy and policy.

Our Directors confirm that, save for the HK\$/US\$ net-settled structured foreign currency forward contracts, we will not invest or hold any other types of derivative instrument after the Listing.

Bank balances and cash

Our bank balances and cash, being cash at bank, increased to approximately HK\$104.5 million as at 31 March 2015 from approximately HK\$85.5 million as at 31 March 2014 and further increased to approximately HK\$108.0 million as at 31 March 2016. Our bank balances and cash decreased to approximately HK\$43.1 million as at 31 August 2016 primarily due to operating cash

FINANCIAL INFORMATION

outflow during the five months ended 31 August 2016. The interest rates on the cash at bank with maturity of three months or less ranged from approximately 0.01% to 2.5% per annum during the Track Record Period.

Trade and other payables and accruals

The following table sets forth the breakdown of our trade and other payables and accruals as at the respective financial position dates indicated:

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	138,116	164,650	142,913	94,986
Accrued staff costs	10,453	12,024	14,090	18,443
Receipt in advance	16,298	12,701	14,630	4,263
Deferred revenue	34,847	37,648	46,392	50,205
Others	<u>22,220</u>	<u>16,979</u>	<u>19,849</u>	<u>20,298</u>
	<u>221,934</u>	<u>244,002</u>	<u>237,874</u>	<u>188,195</u>
Analysed as:				
Current	218,682	241,698	233,330	184,303
Non-current	<u>3,252</u>	<u>2,304</u>	<u>4,544</u>	<u>3,892</u>
	<u>221,934</u>	<u>244,002</u>	<u>237,874</u>	<u>188,195</u>

Trade payables

We recorded trade payables due to the purchase of hardware and software from suppliers for our IT infrastructure solutions services and IT managed services during the Track Record Period. Our trade payables increased from approximately HK\$138.1 million as at 31 March 2014 to approximately HK\$164.7 million as at 31 March 2015 but decreased to approximately HK\$142.9 million as at 31 March 2016 and further decreased to approximately HK\$95.0 million as at 31 August 2016. The trade payable balance was higher as at 31 March 2015 because we received invoices of relatively larger amounts from three of our major suppliers just before the year end. The balance of trade payable as at 31 August 2016 decreased as we have settled a majority of the balances due to three of our major suppliers on or before 31 August 2016 and the balance of trade payable was therefore significantly lower.

FINANCIAL INFORMATION

In general, our suppliers grant us a credit period of up to 95 days and we settle our payments by cheque or bank transfer. The following table sets forth the ageing analysis of our accruals as at the respective financial position dates indicated:

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	55,412	84,582	82,571	46,404
31 to 60 days	33,468	52,465	35,550	32,055
61 to 90 days	37,116	23,378	14,700	14,629
Over 90 days	<u>12,120</u>	<u>4,225</u>	<u>10,092</u>	<u>1,898</u>
	<u><u>138,116</u></u>	<u><u>164,650</u></u>	<u><u>142,913</u></u>	<u><u>94,986</u></u>

The table below sets out our average trade payable turnover days for the relevant years indicated:

	Year ended 31 March			Five months ended 31 August
	2014	2015	2016	2016
	Average trade payable turnover days (<i>Note</i>)	<u>49.7</u>	<u>58.8</u>	<u>59.2</u>

Note: Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year/period, divided by the cost of sales for that year/period, multiplied by 365, 366 or 153 days.

The trade payable turnover days in the years ended 31 March 2015 and 31 March 2016 was mainly attributable to the higher trade payable balances as at 31 March 2015 as a result of the increase in amount due to three major suppliers as mentioned above. The trade payable turnover days in the five months ended 31 August 2016 decreased as the balances due to three of our major suppliers were significantly lower than that as at 31 March 2016.

As at the Latest Practicable Date, approximately HK\$94.3 million, or 99.2%, of the trade payables as at 31 August 2016 was subsequently settled.

Other payables and accruals

Accrued staff costs mainly comprised accrued bonus, commission and long service payment. Our receipt in advance and deferred revenue mainly comprised early payment received from our clients for contracts which have yet commenced and payment received from our clients for certain services which we have yet to perform, respectively. Others mainly comprised the accrued costs where products have arrived or the manufacturers have provided services to our clients but we have yet to receive the invoices from the manufacturers as at the financial year ends.

FINANCIAL INFORMATION

The accrued staff costs increased from approximately HK\$10.5 million as at 31 March 2014 to approximately HK\$12.0 million as at 31 March 2015 and further increased to approximately HK\$14.1 million as at 31 March 2016 as a result of enhanced performance in March 2015 and 2016 and thus an increase in the commission and bonus accrued as at 31 March 2015 and 31 March 2016. As the staff bonus is usually paid on or before the end of February each year, the accrued staff costs increased to approximately HK\$18.4 million as at 31 August 2016 due to staff bonus recognised during the five months ended 31 August 2016. The movement in receipt in advance during the Track Record Period was mainly attributable to the amount received for contracts which have yet commenced, which may vary from time to time. The increase in deferred revenue from approximately HK\$34.8 million as at 31 March 2014 to approximately HK\$46.4 million as at 31 March 2016 and HK\$50.2 million as at 31 August 2016 was in line with the increase in revenue from IT managed services driven by the increase in sales of hardware and system maintenance and support services during the years ended 31 March 2015 and 31 March 2016 and the five months ended 31 August 2016.

As at 31 August 2016, our receipt in advance was approximately HK\$4.3 million. It is expected that approximately HK\$3.0 million of the balance will be recognised as our revenue for the year ending 31 March 2017 and approximately HK1.3 million will be recognised after the year ending 31 March 2017.

For the balance of deferred revenue of approximately HK\$50.2 million as at 31 August 2016, approximately HK\$38.6 million and HK\$11.6 million of the balance are expected to be recognised as our revenue for the year ending 31 March 2017 and after the year ending 31 March 2017, respectively.

Non-controlling interests

Non-controlling interests represented the share of net assets held by minority shareholders in Microware Ltd. during the Track Record Period. Microware Ltd. became an indirect wholly-owned subsidiary of our Company immediately upon completion of the Reorganisation.

Tax liabilities

Our tax liabilities represented provision for profit tax. The balance as at 31 March 2015 was higher as the profit tax expenses for the year ended 31 March 2015 was higher.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash flow from operations and financing activities.

Our principal uses of cash have been, and are expected to continue to be, cost of sales, capital investments for the maintenance and upgrading of our IT management systems and general working capital.

FINANCIAL INFORMATION

Our capital structure represents equity attributable to owners of our Company, comprising issued share capital and reserves including retained profits. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new loan borrowings with reference to the capital costs and the associated risks.

Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from (used in) operating activities	66,430	47,935	(16,356)	(51,737)	(64,959)
Net cash (used in) from investing activities	(109,058)	(19,577)	70,079	27,623	15
Net cash used in financing activities	(6,303)	(9,343)	(50,175)	—	—
Net (decrease) increase in cash and cash equivalents	(48,931)	19,015	3,548	(24,114)	(64,944)
Cash and cash equivalents at beginning of year/period	<u>134,405</u>	<u>85,474</u>	<u>104,489</u>	<u>104,489</u>	<u>108,037</u>
Cash and cash equivalent at end of the year, represented by bank balances and cash	<u><u>85,474</u></u>	<u><u>104,489</u></u>	<u><u>108,037</u></u>	<u><u>80,375</u></u>	<u><u>43,093</u></u>

Net cash from (used in) operating activities

We derived our cash inflow from operating activities primarily through the receipt of payments from our business: (i) IT infrastructure solutions services; and (ii) IT managed services. Our cash outflow from operating activities was primarily attributable to the payment for purchase of hardware and software, subcontracting fee and other expenses for our operating activities.

FINANCIAL INFORMATION

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash generated from operating activities of approximately HK\$66.4 million, which was primarily attributable to profit before taxation of approximately HK\$42.0 million which was primarily adjusted for interest income of approximately HK\$1.5 million, allowance for inventories of approximately HK\$1.5 million, depreciation of approximately HK\$2.5 million and the net effect of (i) decrease in trade and other receivables, prepayments and deposits of approximately HK\$6.4 million; (ii) increase in trade and other payables and accruals of approximately HK\$24.4 million; and (iii) income tax paid of approximately HK\$8.6 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$47.9 million, which was primarily attributable to profit before taxation of approximately HK\$41.3 million which was primarily adjusted for interest income of approximately HK\$1.8 million, reversal of inventories of approximately HK\$1.2 million, share-based payment of approximately HK\$3.3 million, depreciation of approximately HK\$2.1 million and the net effect of (i) increase in trade and other receivables, prepayments and deposits of approximately HK\$17.2 million; (ii) increase in trade and other payables and accruals of approximately HK\$22.1 million; and (iii) income tax paid of approximately HK\$6.5 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash used in operating activities of approximately HK\$16.4 million, which was primarily attributable to profit before taxation of approximately HK\$38.3 million which was primarily adjusted for interest income of approximately HK\$1.1 million, allowance for inventories of approximately HK\$6.3 million, share-based payments of approximately HK\$1.4 million, depreciation of approximately HK\$1.3 million and the net effect of (i) increase in inventories of approximately HK\$28.2 million; (ii) increase in trade and other receivables, prepayments and deposits of approximately HK\$21.5 million; (iii) decrease in trade and other payables and accruals of approximately HK\$6.1 million; and (iv) income tax paid of approximately HK\$7.8 million.

Five months ended 31 August 2016

For the five months ended 31 August 2016, we had net cash used in operating activities of approximately HK\$65.0 million, which was primarily attributable to profit before taxation of approximately HK\$8.3 million which was primarily adjusted for decrease in inventories of approximately HK\$29.0 million and the net effect of (i) decrease in trade and other payables and accruals of approximately HK\$49.7 million; (ii) increase in trade and other receivables, prepayments and deposits of approximately HK\$48.2 million; and (iii) reversal of inventories of approximately HK\$2.3 million.

FINANCIAL INFORMATION

Net cash (used in) from investing activities

Our investing activities primarily consisted of (i) purchase of property, plant and equipment; (ii) the placement and withdrawal of structured deposits; and (iii) advance to and repayment from related parties.

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash used in investing activities of approximately HK\$109.1 million, which was primarily attributable to the net effect of (i) purchase of property, plant and equipment of approximately HK\$1.8 million; (ii) placement of structured deposits of approximately HK\$29.1 million; (iii) repayment from related parties of approximately HK\$120.3 million; and (iv) advance to related parties of approximately HK\$198.6 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash used in investing activities of approximately HK\$19.6 million, which was primarily attributable to the net effect of (i) withdrawal of structured deposits of approximately HK\$20.5 million; (ii) repayment from related parties of approximately HK\$124.2 million; and (iii) advance to related parties of approximately HK\$163.9 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash generated from investing activities of approximately HK\$70.1 million, which was primarily attributable to (i) withdrawal of structured deposits of approximately HK\$8.3 million; (ii) repayment from related parties of approximately HK\$166.0 million; and (iii) advance to related parties of approximately HK\$103.1 million.

Five months ended 31 August 2016

For the five months ended 31 August 2016, we had net cash generated from investing activities of approximately HK\$15,000, which was primarily attributable to bank interest received, partially offset by purchase of property, plant and equipment.

Net cash used in financing activities

Our financing activities primarily consisted of (i) interests paid by our Group; (ii) dividends paid by our Group; and (iii) raising and repayment of bank borrowings.

Year ended 31 March 2014

For the year ended 31 March 2014, we had net cash used in financing activities of approximately HK\$6.3 million, which was primarily attributable to the dividends paid in cash by our Group of HK\$6.0 million.

FINANCIAL INFORMATION

Year ended 31 March 2015

For the year ended 31 March 2015, we had net cash used in financing activities of approximately HK\$9.3 million, which was attributable to the dividends paid in cash by our Group of HK\$9.3 million.

Year ended 31 March 2016

For the year ended 31 March 2016, we had net cash used in financing activities of HK\$50.2 million, which was attributable to the dividends paid in cash by our Group of HK\$50.2 million.

Five months ended 31 August 2016

For the five months ended 31 August 2016, we did not have any cash used in financing activities.

WORKING CAPITAL SUFFICIENCY

Taking into account our cash flow from operations and the net proceeds from the Global Offering, our Directors are satisfied after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

Bank borrowings

As at the close of business on 31 December 2016, we had banking facilities of approximately HK\$445.6 million, of which approximately HK\$428.5 million was unutilised and approximately HK\$17.1 million was utilised for the purpose of banker's guarantee required for tendering of contracts as set out below. We had no other outstanding borrowing as at 31 December 2016.

FINANCIAL INFORMATION

The use of the banking facilities are restricted by their nature as specified in the respective banking facility letters. Subject to the requirement on drawdown amount as being a minimum and an integral multiple of certain amounts, the availability of the banks' fund, certain specific documents required, the prior written notice given, the provision of collateral required (if applicable), the sole discretion of the banks and such other terms and conditions may be imposed by the banks from time to time, the banking facilities are available for drawdown on demand of the Company. The following table sets forth a breakdown of the banking facilities of our Group as at 31 December 2016 by their nature:

Nature of facilities	As at 31 December 2016 HK\$'000
Financial derivatives (including foreign exchange products, foreign exchange forward contract, spot/forward exchange/option treasury products and forward treasury products)	341,591
Revolving loans	55,000
Letter of guarantee and performance securities	30,000
Letter of credit, trust receipt, imported trade loan and account payable financing	16,000
Overdraft	3,000
	445,591

For the unutilised banking facilities as at 31 December 2016 of approximately HK\$341.6 million provided by the banks as financial derivative facilities, we had not utilised such banking facilities as such banking facilities were provided specifically for financial derivative purposes and not for the general operation of our Group.

For the unutilised banking facilities as at 31 December 2016 of HK\$16.0 million provided by the banks as letter of credit, trust receipt, imported trade loans and account payable financing and HK\$55.0 million provided by the banks as revolving loans, our Group had not utilised such banking facilities as (i) our Group generally does not prefer to use the facilities to finance the operation to avoid incurring additional finance costs and interest expenses which erodes our profit margin; and (ii) these facilities generally are short term in nature and charge a higher interest rate than term loan.

The range of interest rates per annum for our banking facility was 1.5% to the Hong Kong Interbank Offered Rate/London Interbank Offered Rate plus 2.0% and the banking facility shall be secured by our bank deposits and corporate guarantee to be provided by our Company upon Listing.

During the Track Record Period, we did not experience any default or withdrawal or request for early repayment of borrowings nor did we breach any finance covenants.

FINANCIAL INFORMATION

As at the Latest Practicable Date, our Directors confirmed that there was no plan to raise any material external debt financing.

Contingent liabilities

As at 31 March 2014, 31 March 2015, 31 March 2016, 31 August 2016 and 31 December 2016, the performance guarantee of approximately HK\$16.3 million, HK\$14.3 million, HK\$18.4 million, HK\$16.0 million and HK\$17.1 million, respectively, were given by banks in favour of some of our clients as security for the due performance and observance of our obligations under the contracts entered into between our Group and our clients. If our Group fails to provide satisfactory performance to our clients to whom performance guarantees have been given, such clients may demand the bank to pay them the sum or sum stipulated in such demand. Our Group will become liable to compensate the bank accordingly. The performance guarantees will be released upon completion of the contract. The performance guarantees were granted under the banking facilities.

At the end of each reporting period, our Directors did not consider it was probable that a claim would be made against our Group.

Save as disclosed in the section headed “Business — Legal proceedings and compliance — Claims settled, pending or threatened against our Group” as at the Latest Practicable Date, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group. Accordingly, no provision for the contingent liabilities in respect of litigations is necessary.

As at 31 December 2016, being the latest practicable date for determining our Group’s indebtedness, save as aforesaid, we had not been granted any borrowing, and did not have any loan capital issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, finance lease commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured, borrowings, and debts, mortgages, charges, guarantees or other material contingent liabilities.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any property.

COMMITMENTS

Capital commitments

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, we did not have any capital commitments.

FINANCIAL INFORMATION

Operating lease commitments

Our Group as lessee

During the Track Record Period, we had outstanding commitments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,628	6,159	2,952	3,737
After one year but within five years	—	2,901	—	2,358
	<u>2,628</u>	<u>9,060</u>	<u>2,952</u>	<u>6,095</u>

Operating leases represented our leases of office premises and warehouses. Such leases had a fixed term ranging from one to two years during the Track Record Period.

CAPITAL EXPENDITURE

Our capital expenditure for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 amounted to approximately HK\$1.8 million, HK\$0.6 million, HK\$1.4 million and HK\$0.1 million, respectively, comprising payment for purchase of property, plant and equipment.

We plan to finance our future capital expenditure through the net proceeds from the Global Offering and cash flow generated from operating activities. For details, please refer to the sections headed “Business — Business strategies” and “Future plans and use of proceeds” in this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

FINANCIAL INFORMATION

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for each of the three years ended 31 March 2016 and the five months ended 31 August 2016 and should be read in conjunction with the Accountants' Report included as Appendix I to this prospectus.

	As at/For the year ended 31 March			As at/ for the five months ended 31 August
	2014	2015	2016	2016
	Current ratio ⁽¹⁾	1.7 times	1.6 times	1.4 times
Gearing ratio ⁽²⁾	N/A	N/A	N/A	N/A
Debt to equity ratio ⁽³⁾	N/A	N/A	N/A	N/A
Interest coverage ⁽⁴⁾	1,167.7 times	N/A	N/A	N/A
Return on assets ⁽⁵⁾	9.0%	8.4%	9.0%	4.4%
Return on equity ⁽⁶⁾	25.1%	26.9%	30.0%	12.0%
Net profit margin ⁽⁷⁾	3.2%	3.2%	2.9%	1.3%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%. As our Group did not have any interest-bearing liabilities as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, the gearing ratio is not applicable.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%. As our Group did not have any borrowings as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, the debt to equity ratio is not applicable.
4. Interest coverage is calculated by the profit before interest and tax divided by the finance costs as at the respective year/period end.
5. Return on assets is calculated by the total comprehensive income for the year/annualised total comprehensive income for the period divided by the total assets as at the respective year/period end and multiplied by 100%.
6. Return on equity is calculated by the total comprehensive income for the year/annualised total comprehensive income for the period divided by the shareholders' equity as at the respective year/period end and multiplied by 100%.
7. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year/period end and multiplied by 100%.

FINANCIAL INFORMATION

Current ratio

Our current ratio remained stable during the Track Record Period. The slight decrease as at 31 March 2016 compared with that as at 31 March 2015 was mainly due to the decrease in current assets as a result of the dividends declared and paid during the year ended 31 March 2016. The increase as at 31 August 2016 compared with that as at 31 March 2016 was due to that the percentage decrease in current assets was proportionately lower than that in current liabilities.

Interest coverage

During the Track Record Period, interest expenses of approximately HK\$36,000 was incurred for bank borrowings in the year ended 31 March 2014. The interest coverage ratio was high because the profit for the year was approximately HK\$42.0 million. The ratios were not applicable for the years ended 31 March 2015, 31 March 2016 and the five months ended 31 August 2016 because no finance costs were recorded in those periods.

Return on assets

Our return on assets decreased from approximately 9.0% for the year ended 31 March 2014 to approximately 8.4% for the year ended 31 March 2015 and then increased to approximately 9.0% for the year ended 31 March 2016. The decrease in the year ended 31 March 2015 was mainly due to the increase in total assets as a result of net cash inflow during the year ended 31 March 2015. The increase in the year ended 31 March 2016 was mainly attributable to the decrease in total assets as a result of the dividends of HK\$84.0 million declared, of which HK\$33.8 million was settled-off with the amount due from related parties during the year ended 31 March 2016. Our return on assets decreased for the five months ended 31 August 2016 mainly due to listing expenses of approximately HK\$9.2 million incurred during the five months ended 31 August 2016.

Return on equity

Our return on equity increased during the Track Record Period. The slight increase in the year ended 31 March 2015 as compared to that of the year ended 31 March 2014 was due to the decrease in shareholders' equity, since the HK\$48.0 million dividends declared for the year ended 31 March 2015 was greater than the profit of approximately HK\$34.0 million for that year. Shareholders' equity further decreased in the year ended 31 March 2016 due to the dividends of HK\$84.0 million. As a result, our return on equity increased from approximately 26.9% for the year ended 31 March 2015 to approximately 30.0% for the year ended 31 March 2016. Our return on equity decreased for the five months ended 31 August 2016 mainly due to listing expenses of approximately HK\$9.2 million incurred during the five months ended 31 August 2016.

Net profit margin

Our net profit margin remained stable for the years ended 31 March 2014 and 31 March 2015. The decrease in net profit margin in the year ended 31 March 2016 and the five months ended 31 August 2016 as compared to that of the previous years was mainly due to the recognition of listing expenses.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

During our normal course of business, we are exposed to various financial risks, including liquidity risk, currency risk, credit risk and interest rate risk.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

The contractual maturity of our Company for our non-derivative financial liabilities with undiscounted cash flow of approximately HK\$170.8 million, HK\$193.7 million, HK\$176.9 million and HK\$133.7 million as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, respectively, based on the earliest date on which we can be required to pay, are repayable on demand or within three months.

In addition, the following table details the liquidity analysis for our derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments by using the forward rate published by independent researchers as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, respectively. The liquidity analysis for our derivative financial instruments are prepared based on the contractual maturities as our management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount of derivative forward contract (assets) liabilities HK\$'000
2014					
Derivative — net settlement	<u>27</u>	<u>135</u>	<u>68</u>	<u>230</u>	<u>(110)</u>
2015					
Derivative — net settlement	<u>23</u>	<u>(135)</u>	<u>(75)</u>	<u>(187)</u>	<u>94</u>
2016					
Derivative — net settlement	<u>(25)</u>	<u>(247)</u>	<u>(39)</u>	<u>(311)</u>	<u>930</u>
31 Aug 2016					
Derivative — net settlement	<u>(27)</u>	<u>(209)</u>	<u>—</u>	<u>(236)</u>	<u>304</u>

FINANCIAL INFORMATION

Currency risk

We had foreign currency purchases, which exposed us to foreign currency risk. Certain bank balances and cash, other receivables and trade payables of our Group were denominated in foreign currencies.

The carrying amounts of our bank balances and cash, other receivables and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash				Other receivables				Trade payables			
	As at 31 March			As at 31 August	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	2014	2015	2016	2016	2014	2015	2016	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	12,533	8,871	6,111	5,883	—	—	7,800	17,160	68,217	62,037	61,165	36,661
MOP	959	1,674	—	—	—	—	—	—	—	—	—	—
RMB	1	61	7,868	7,609	—	—	—	—	—	—	—	—

We also entered into certain structured deposits, of which the coupon rate depended on exchange rates of RMB. The details of such structured deposits are set out in the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Structured deposits” in this prospectus and Note 18 to the Accountants’ Report included in Appendix I to this prospectus. Our Directors consider that currency risk arising from structured deposits is insignificant.

We have entered into certain foreign exchange forward contracts to mitigate foreign exchange exposure arising on the purchase payments made to third parties. The details of such foreign exchange forward contracts are set out in the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Derivative financial instruments” in this prospectus and Note 19 to the Accountants’ Report included in Appendix I to this prospectus. We currently do not have other foreign currency hedging measures. Our Directors shall monitor our foreign exchange exposure from time to time and will consider other measures to limit our foreign currency exposure should the need arise.

Sensitivity analysis

The change in exchange rate of HK\$ against MOP or US\$ has not been considered in the sensitivity analysis as HK\$ is pegged to US\$ and MOP is always stabilised with unchanged value to HK\$. Our Directors do not expect any significant movements between the exchange rate of US\$ and MOP against HK\$. As such, only sensitivity of the change in foreign exchange rate of HK\$ against RMB is considered. The following table sets out our sensitivity to a 5% increase and decrease in RMB against HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to our management and represents our management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% change in foreign

FINANCIAL INFORMATION

currency rates. A positive number below indicates an increase in profit for the year where RMB strengthen 5% against HK\$. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	For the year ended 31 March			Five months ended 31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase in post-tax profit for the year/ period	—	3	393	159

Credit risk

As at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016, our maximum exposure to credit risk which will cause a financial loss to us in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, our management had delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk on bank balances and structured deposits is limited because the counterparties are banks with good reputations.

As at 31 March 2014 and 31 March 2015, we had concentration of credit risk on amounts due from related parties amounting to approximately HK\$93.4 million and HK\$96.0 million, respectively. Our related parties represented entities controlled by Mr. Yang. In order to minimise the credit risk on amounts due from related parties, our management continuously monitors the credit quality and financial conditions of the related companies. The amounts were settled during the year ended 31 March 2016.

Interest rate risk

Our cash flow interest rate risk primarily relates to variable-rate amounts due from related parties and bank balances.

We had not used any interest rate hedging policy to mitigate our exposure associated with interest rate risk. However, our management monitors interest rate exposure from time to time and will consider hedging significant interest rate exposure should the need arises.

FINANCIAL INFORMATION

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate amounts due from related parties. The analysis is prepared assuming the amount of asset of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. Each year, a 50 basis points increase or decrease represents our management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower as at 31 March 2014, 2015 and 2016 and 31 August 2016 and all other variables were held constant, profit for the year/period ended 31 March 2014, 2015 and 2016 and five months ended 31 August 2016 would increase/decrease by approximately HK\$0.4 million, HK\$0.4 million, nil and nil, respectively. This is mainly attributable to our exposure to interest rates on our variable-rate amounts due from related parties.

For the variable-rate bank balances, our Directors consider our exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and carrying amounts as at 31 March 2014, 31 March 2015, 31 March 2016 and 31 August 2016. Accordingly, no sensitivity analysis on interest rate risk is presented.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 29 to the Accountants' Report included as Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. For further details, please refer to the section headed "Connected transactions" in this prospectus.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK\$1.33 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including the underwriting commission), which are non-recurrent in nature, are estimated to be approximately HK\$28.0 million.

Of such amount to be borne by us, approximately HK\$8.3 million of our estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$19.7 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK\$2.4 million and HK\$9.2 million were recognised for the year ended 31 March 2016 and the five months ended 31 August 2016, respectively (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately HK\$8.1 million is expected to be charged prior to or upon the Listing (according to our current estimation).

FINANCIAL INFORMATION

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 would be materially and adversely affected by the listing expenses mentioned above.

DISTRIBUTABLE RESERVES

As at 31 August 2016, our Company had no distributable reserve available for distribution to our Shareholders.

DIVIDENDS AND DIVIDENDS POLICY

For each of the three years ended 31 March 2016 and the five months ended 31 August 2016, our Group declared dividends of HK\$36.0 million, HK\$48.0 million, HK\$84.0 million and nil, respectively.

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Considering our current financial position, our Directors currently intend, following the Listing, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders no less than 40% of our profits available for distribution. However, the Board has absolute discretion to declare any dividend for any year, and if it decides to declare a dividend, determine the amount of dividends to be declared. The amount of any dividends to be declared or paid will depend on, amongst other things, our results of operations, cash flows, financial condition, the prevailing economic climate, operating and capital requirements, the amount of distributable profits based on HKFRSs, the Articles, the Companies Law, applicable laws and regulations and such other factors which our Directors may deem relevant.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that so far as they were aware, since 31 August 2016 and up to the date of this prospectus, (i) there had been 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; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

See the section headed “Business — Business strategies” in this prospectus for a detailed description of our business strategies and future plans.

OUR REASONS FOR LISTING

Our Directors believe that the Listing will allow us to:

- generate employee incentive and commitment — the Listing is considered to be one of the channels through which our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group;
- gain higher profile and visibility and strengthen our competitiveness — the Listing status would enhance our level of competitiveness among our competitors, which may in turn lead to the establishment and strengthening of business relationships with new and existing clients, expansion of market share and attraction of strategic investors to our Group; and
- create a long-term fund raising platform — the Listing will provide us with opportunities to raise funds through secondary fund raising exercises after the Listing.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.33 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.20 to HK\$1.46 per Offer Share, and assuming the Offer Size Adjustment Option is not exercised) will be approximately HK\$51.8 million. Our Directors believe that the net proceeds from the Listing will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out below. We intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$18.1 million, representing approximately 35% of the net proceeds from the Global Offering, will be used for upgrading our IT management systems;
- approximately HK\$12.9 million, representing approximately 25% of the net proceeds from the Global Offering, will be used for enhancing our capability to undertake large-scale contracts by financing performance securities;
- approximately HK\$10.4 million, representing approximately 20% of the net proceeds from the Global Offering, will be used for recruitment and training of employees;
- approximately HK\$5.2 million, representing approximately 10% of the net proceeds from the Global Offering, will be used to strengthening our marketing efforts; and

FUTURE PLANS AND USE OF PROCEEDS

- the remaining balance of approximately HK\$5.2 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.46 per Offer Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$7.4 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.20 per Offer Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$7.4 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$12.5 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.46 per Offer Share; (ii) HK\$11.4 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.33 per Offer Share; and (iii) HK\$10.3 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$1.20 per Offer Share. Any additional proceeds received by us from the exercise of the Offer Size Adjustment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for the period commencing from the Latest Practicable Date and ending on 31 March 2017 and the years ending 31 March 2018, 31 March 2019 and 31 March 2020. Based on our Group's business strategies, our Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 31 March 2017

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrading of our IT management systems	Approximately HK\$0.3 million	<ul style="list-style-type: none">• Identify and engage suitable external IT consultant(s)• Evaluate our existing IT management systems and our needs and specifications

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of proceeds	Implementation plan
Enhancing of our capability to undertake large-scale contracts	Approximately HK\$1.0 million	<ul style="list-style-type: none"> ● Provide performance securities to undertake approximately one to two additional large-scale contracts^(Note)
Recruitment and training of employees	Approximately HK\$0.5 million	<ul style="list-style-type: none"> ● Identify and recruit one experienced IT system architect and two mid-level employees for the expansion of our sales team so as to (i) improve the level of attention to be provided to each of our clients; (ii) enhance our sales capability; (iii) maintain relationship with our clients; and (iv) enhance our capability to undertake large-scale contracts ● Identify and recruit one experienced IT system architect and one mid-level employee for the expansion of our execution team so as to (i) improve the level of support to be provided to each of our clients; and (ii) enhance our capability to undertake large-scale contracts ● Sponsor our employees to participate in qualification examinations and external professional training programmes in order to improve their skills and qualifications
Strengthening our marketing efforts	Approximately HK\$0.3 million	<ul style="list-style-type: none"> ● Identify suitable venue(s) or opportunity for holding seminar(s) or customer relationship event(s) and commence related preparation work ● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base
Total:	Approximately HK\$2.1 million	

Note: The expected number of additional large-scale contracts with performance securities to be financed by the net proceeds is calculated on the assumption that (i) the contract sum of each large-scale contract is approximately HK\$10 million; (ii) the performance securities are provided at a rate of 5–10% of the contract sum.

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2017 to 31 March 2018

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrading of our IT management systems	Approximately HK\$8.0 million	<ul style="list-style-type: none"> ● Purchase and install three sets of servers and network equipment of approximately HK\$1.0 million ● Implement, subscribe and purchase licence of customer relationship management system of approximately HK\$2.4 million ● Upgrade our existing service management systems of approximately HK\$3.1 million ● Implement, subscribe and purchase licence of enterprise resources planning system of approximately HK\$1.5 million
Enhancing of our capability to undertake large-scale contracts	Approximately HK\$5.4 million	<ul style="list-style-type: none"> ● Provide performance securities to undertake approximately five to ten additional large-scale contracts^(Note)
Recruitment and training of employees	Approximately HK\$4.2 million	<ul style="list-style-type: none"> ● Identify and recruit three mid-level employees for the expansion of our sales team so as to (i) improve the level of attention to be provided to each of our clients; (ii) enhance our sales capability; (iii) maintain relationship with our clients; and (iv) enhance our capability to undertake large-scale contracts ● Identify and recruit two mid-level employees for the expansion of our execution team so as to (i) improve the level of support to be provided to each of our clients; and (ii) enhance our capability to undertake large-scale contracts ● Maintain the new headcount recruited in the year ending 31 March 2017

Note: The expected number of additional large-scale contracts with performance securities to be financed by the net proceeds is calculated on the assumption that (i) the contract sum of each large-scale contract is approximately HK\$10 million; (ii) the performance securities are provided at a rate of 5–10% of the contract sum.

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
		<ul style="list-style-type: none">● Identify and cooperate with external professional training organisation(s) to provide additional training to our employees in order to improve their skills and qualifications● Sponsor our employees to participate in qualification examinations and external professional training programmes in order to improve their skills and qualifications
Strengthening our marketing efforts	Approximately HK\$2.2 million	<ul style="list-style-type: none">● Holding of seminar(s) and/or customer relationship event(s) in order to maintain relationship with our clients and strengthen our market position● Arrange the placing of print advertisements directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base
Total:	Approximately HK\$19.8 million	

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2018 to 31 March 2019

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrading of our IT management systems	Approximately HK\$8.2 million	<ul style="list-style-type: none"> ● Purchase and install three sets of servers and network equipment of approximately HK\$1.0 million ● Implement, subscribe and purchase licence of customer relationship management system of approximately HK\$0.9 million ● Upgrade our existing service management systems of approximately HK\$3.5 million ● Implement, subscribe and purchase licence of enterprise resources planning system of approximately HK\$2.8 million
Enhancing of our capability to undertake large-scale contracts	Approximately HK5.4 million	<ul style="list-style-type: none"> ● Provide performance securities to undertake approximately five to 11 additional large-scale contracts^(Note)
Recruitment and training of employees	Approximately HK\$4.7 million	<ul style="list-style-type: none"> ● Maintain the new headcount recruited in the years ending 31 March 2017 and 31 March 2018 ● Cooperate with external professional training organisation(s) to provide additional training to our employees in order to improve their skills and qualifications ● Sponsor our employees to participate in qualification examinations and external professional training programmes in order to improve their skills and qualifications

Note: The expected number of additional large-scale contracts with performance securities to be financed by the net proceeds is calculated on the assumption that (i) the contract sum of each large-scale contract is approximately HK\$10 million; (ii) the performance securities are provided at a rate of 5–10% of the contract sum.

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Strengthening our marketing efforts	Approximately HK\$2.2 million	<ul style="list-style-type: none">● Identify suitable venue(s) or opportunity for holding seminar(s) or customer relationship event(s) and commence related preparation work ● Holding of seminar(s) and/or customer relationship event(s) in order to maintain relationship with our clients and strengthen our market position ● Arrange the placing of print advertisements directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base ● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base
Total:	Approximately HK\$20.5 million	

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2019 to 31 March 2020

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrading of our IT management systems	Approximately HK\$1.6 million	<ul style="list-style-type: none"> ● Subscribe and maintain customer relationship management system of approximately HK\$0.6 million ● Maintain our existing service management systems of approximately HK\$0.4 million ● Subscribe and maintain enterprise resources planning system of approximately HK\$0.6 million
Enhancing of our capability to undertake large-scale contracts	Approximately HK\$1.1 million	<ul style="list-style-type: none"> ● Provide performance securities to undertake approximately one to two additional large-scale contracts^(Note)
Recruitment and training of employees	Approximately HK\$1.0 million	<ul style="list-style-type: none"> ● Maintain the new headcount recruited in the years ending 31 March 2018 and 31 March 2019 ● Cooperate with external professional training organisation(s) to provide additional training to our employees in order to improve their skills and qualifications ● Sponsor our employees to participate in qualification examinations and external professional training programmes in order to improve their skills and qualifications

Note: The expected number of additional large-scale contracts with performance securities to be financed by the net proceeds is calculated on the assumption that (i) the contract sum of each large-scale contract is approximately HK\$10 million; (ii) the performance securities are provided at a rate of 5–10% of the contract sum.

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Strengthening our marketing efforts	Approximately HK\$0.5 million	<ul style="list-style-type: none">● Arrange the placing of print advertisements directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base ● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies) in order to raise public awareness of our Group and broaden our customer base
Total:	Approximately HK\$4.2 million	

Our long-term future plan is to, among others, upgrade our IT management systems by (i) purchasing and installing new server hardware and network equipment; (ii) implementing, subscribing and purchasing licence of our customer relationship system (“**CRM System**”); (iii) upgrading our existing service management systems; and (iv) implementing, subscribing and purchasing licence of our enterprise resources planning system (“**ERP System**”).

Our Directors are of the view that it is necessary to upgrade our IT management systems for the reasons set out below:

- In respect of the purchase and installation of six sets of new server hardware and network equipment, our Directors consider that our current server hardware and network equipment, which were procured some five years ago, are outdated in view of the increasing demand on the speed and processing power. In addition, certain parts and components of our current server hardware and network equipment may not be available on market for maintenance and repair if and when needed.

- In respect of the implementation, subscription and purchase of licence of CRM System, since we currently do not have a systematic record system for our customer profile, we depend substantially on our salesmen to keep track of lead opportunities manually. As such, the deployment of a CRM System, which consolidates all customer-related information electronically, is essential if the revenue and our customers’ bases grow. The CRM System will also improve our sales management in allocating the resources and capturing such opportunities efficiently and effectively.

- In respect of the upgrade of the existing service management systems, we plan to implement, subscribe and purchase licence of a configuration management system, under which we could record systematically the scope of services, nature, kind and frequency of IT managed services that we provided (with specification on serial numbers of the

FUTURE PLANS AND USE OF PROCEEDS

products upon which we provided IT managed services). Our Directors are of the view that the configuration management system is essential for us to evaluate the performance of our IT managed services and understand the customers' needs where we are able to assess the environment in which our clients operate their IT system and thus have a good grasp of the underlying cause of the malfunctioning of the IT system which required our IT managed services.

- In respect of the implementation, subscription and purchase of licence of ERP System, since the processing of our sales, marketing and accounting functions are currently conducted manually, there is a risk of human error with lower performance efficiency. As such, it is essential for us to upgrade our base accounting system and inventory management system, under which it is expected that the chain of business operations, from the placing of purchase orders to the financial reporting, will be automated.

In essence, the limitations of our current application create an obstacle to scale our business moving forward. At present, our application requires substantial amount of manual data entry in order to manage our business. With the plan to upgrade our IT management systems, we intend to realise the following benefits:

- Greater employee productivity through automation. At present, we are losing a significant amount of productivity due to the manual nature of its processes and through automation, it is expected that our employee productivity will be increased to accelerate its ability to scale.
- Lower staff onboarding and training costs. As part of the growth plan moving forward, we expect to increase our headcount. It is important that staff onboarding and training costs can be reduced and through the use of easier and more intuitive IT management systems, it is expected that such costs will be decreased.
- Quicker insights into the performance of business. Since the business intelligence and reporting capabilities are currently batch oriented and our management does not have an easy way of generating reports to get insight into the health of our business. It is expected that the upgrade of the IT management systems will enable better reporting and business intelligent capabilities which will enhance our ability to manage and transform our business moving forward.
- Enabling new ways of working with our clients. The market is changing, at present our business is still performed in a manual way, where our clients have to work with our account manager for each transaction. As market trends change, the investments in the IT management systems as mentioned above will include the development of self-service portals where clients can check pricing, project and delivery schedule and status of their projects without having to engage with our account representative.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Global Coordinators and Joint Bookrunners

Innovax Capital
Sinolink Securities

Joint Lead Managers

Innovax Capital
Sinolink Securities
Gransing Securities
Convoy Investment

Hong Kong Underwriters

Innovax Capital
Sinolink Securities
Gransing Securities
Convoy Investment
Alliance Capital Partners Limited
CNI Securities Group Limited
Head & Shoulders Securities Limited
Telecom Digital Securities Limited
Paul Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for the Hong Kong Offer Shares are subject to termination. The Joint Global Coordinators (for themselves and on behalf of all the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Joint Global Coordinators:
 - (a) any matter or event showing any of the representations, warranties or undertakings given to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Hong Kong Underwriting Agreement by any party to the Hong Kong Underwriting Agreement other than the Sole Sponsor, the Joint Global Coordinators or the Hong Kong Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Global Coordinators, to be material in the context of the Hong Kong Public Offering; or
 - (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Global Coordinators, to be material in the context of the Hong Kong Public Offering; or
 - (c) any event, series of events, matters or circumstances has occurred or arisen on or after the date of the Hong Kong Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Hong Kong Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Global Coordinators to be material in the context of the Hong Kong Public Offering; or
 - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Global Coordinators, a material omission in the context of the Hong Kong Public Offering; or

UNDERWRITING

- (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company, any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (f) any breach by any party to the Hong Kong Underwriting Agreement other than the Hong Kong Underwriters of any provision of the Hong Kong Underwriting Agreement which, in the reasonable opinion of the Joint Global Coordinators, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any 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 BVI, the Cayman Islands, the PRC, the US and the United Kingdom or any other jurisdictions relevant to the business of our Group (the “**Relevant Jurisdictions**”); or
 - (b) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects in the Relevant Jurisdictions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
 - (d) any change or development involving a prospective material change in taxation or exchange controls (or the implementation of any exchange controls) in the Relevant Jurisdictions; or
 - (e) any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
 - (f) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
 - (g) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or

UNDERWRITING

- (h) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Global Coordinators acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Hong Kong Underwriters to proceed with the Hong Kong Public Offering as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings to the Stock Exchange under the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that (except pursuant to the Global Offering, the Capitalisation Issue, the Offer Size Adjustment Option, and the grant of options or exercise of options granted or to be granted under the Share Option Scheme) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to each of the Stock Exchange and our Company that, except as permitted under the Listing Rules and pursuant to the Global Offering, the Capitalisation Issue, the Offer Size

UNDERWRITING

Adjustment Option and the grant of options or exercise of options granted or to be granted under the Share Option Scheme as described and contained in this prospectus, he/it shall not and shall procure that the relevant registered shareholder(s) controlled by our Controlling Shareholders shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge 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) in respect of, any of those securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge 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) in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to each of the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERWRITING

Undertakings to the Hong Kong Underwriters

By our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, except pursuant to the Global Offering, the Capitalisation Issue, the Offer Size Adjustment Option and the grant of options or exercise of options granted or to be granted under the Share Option Scheme as described and contained in this prospectus unless with the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, our Company or our subsidiaries will not:

- (a) allot or issue, or agree to allot or issue, any Shares or any other securities of our Company (including warrants or other convertible or exchangeable securities (and whether or not of a class already listed)) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into any Shares or any other securities of our Company; or
- (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so, during the six months immediately following the Listing Date (the “**First Six-month Period**”).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or any other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and

UNDERWRITING

any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) unless as a result of any exercise of the Offer Size Adjustment Option or otherwise in compliance with the requirements of the Listing Rules:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer, dispose of either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Each of our Controlling Shareholders has also jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in 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 Relevant Securities 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 him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by him/it or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that within the first twelve months from the Listing Date, it/he will:

- (a) when he/it pledges or charges any securities or interests in the securities of our Company beneficially owned by him/it directly or indirectly, immediately inform our Company, the Sole Sponsor, and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indications and the number of securities and nature of interests affected.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

By Mr. Chu and our Relevant Employee Shareholders

Each of Mr. Chu and our Employee Shareholders who will hold an aggregate 200,001 issued Shares or more upon completion of the Capitalisation Issue and the Global Offering (the “**Relevant Employee Shareholders**”) has undertaken to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, he/she shall not and shall procure that the relevant registered shareholder(s) controlled by him/her shall not, in the First Six-month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of those Shares in respect of which he/she is beneficial owner(s) (save as (i) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) as security for a bona fide commercial loan; (ii) pursuant to a power of sale under the pledge or charge (granted pursuant to (i)); (iii) on the death of the Relevant Employee Shareholder; or (iv) in any other exceptional circumstances to which the Underwriters and/or the relevant authorities have given its/their prior approval).

Each of Mr. Chu and our Relevant Employee Shareholders has also undertaken to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, during the First six-month Period in the event that:

- (a) he/she pledges or charges any direct or indirect interest in his/her Shares pursuant to (i) above or; dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares pursuant to any right or waiver granted by the Underwriters and/or the relevant authorities pursuant to (iv) above, he/she shall inform our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) immediately thereafter, disclosing the details of (1) the number of Shares being pledged, charged or dealt with otherwise; (2)

UNDERWRITING

the purpose for which the pledge, charge or dealing is made; (3) any other relevant details; and (4) the number of Shares affected or to be affected and other details, in the event that the pledgee or chargee has disposed of or intends to dispose of any of the Shares, or otherwise; and

- (b) having pledged or charged any interest in the Shares under (a) above, he/she shall inform our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) immediately in the event that he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, among others, the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company will grant to the International Placing Underwriters the Offer Size Adjustment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Placing Underwriters) at any time from the date of this prospectus to Tuesday, 7 March 2017, being the last business day prior to the Listing Date, at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 9,000,000 additional Shares, representing 15% of the number of Offer Shares initially offered under the Global Offering, at the Offer Price, subject to the terms of the International Placing Underwriting Agreement, for the sole purpose of covering over-allocations in the International Placing, if any.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 5.0% of the aggregate Offer Price payable for the Offer Shares (including Shares to be issued pursuant to the Offer Size Adjustment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$28.0 million in aggregate (based on an Offer Price of HK\$1.33 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.20 per Offer Share and HK\$1.46 per Offer Share and the assumption that the Offer Size Adjustment Option is not exercised) and is paid or payable by our Company.

UNDERWRITING

UNDERWRITERS' INTERESTS IN OUR COMPANY

Our Company has appointed Innovax Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their interests and obligations under the Underwriting Agreements, the Sole Sponsor's fees payable to the Sole Sponsor in relation to the Listing and the fee payable to Innovax Capital for acting as our compliance adviser, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor 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 member of our Group nor any interest in the Global Offering.

INDEPENDENCE OF THE SOLE SPONSOR

Innovax Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require

UNDERWRITING

hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Innovax Capital is the Sole Sponsor and Innovax Capital and Sinolink Securities are the Joint Global Coordinators and the Joint Bookrunners. Innovax Capital, Sinolink Securities, Gransing Securities and Convoy Investment are the Joint Lead Managers.

The Global Offering consists of:

- the Hong Kong Public Offering of 6,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described under the section headed “Structure and conditions of the Global Offering — The Hong Kong Public Offering” in this prospectus; and
- the International Placing of 54,000,000 Shares (subject to adjustment and the Offer Size Adjustment Option as mentioned below) outside the United States in reliance on Regulation S as described under the section headed “Structure and conditions of the Global Offering — The International Placing” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to adjustment, respectively, as described in the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.46 per Offer Share and is expected to be not less than HK\$1.20 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.46 per Hong Kong Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of approximately HK\$2,949.43 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.46 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Wednesday, 1 March 2017.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 1 March 2017 and in any event, no later than 12:00 noon on Tuesday, 7 March 2017.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 7 March 2017, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be adjusted as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Tuesday, 7 March 2017 in The Standard (in English) and Sing Tao Daily (in Chinese).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC or by applying

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed “How to apply for the Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Offer Size Adjustment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the International Placing Underwriting Agreement and the Hong Kong Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in *The Standard* (in English) and *Sing Tao Daily* (in Chinese) on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Tuesday, 7 March 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 8 March 2017, provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

Our Company is initially offering 6,000,000 Shares at the Offer Price, representing 10% of the 60,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.0% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised). The Hong Kong Public Offering 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 in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “Structure and conditions of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be allocated to investors under the Hong Kong Public Offering based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. In addition, multiple or suspected multiple applications will be rejected. No application will be accepted from applicants for more than 6,000,000 Hong Kong Offer Shares (being 100% of the initial number of Hong Kong Offer Shares).

Adjustment

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 18,000,000 Shares, 24,000,000 Shares and 30,000,000 Shares, respectively, representing 30.0% (in the case of (i)), 40.0% (in the case of (ii)) and 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be adjusted as between these offerings at the discretion of the Joint Global Coordinators.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that the investor is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the International Placing will be 54,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the International Placing Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in paragraph headed "Pricing and allocation" above and based on a number of factors, including the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

level and timing of demand, 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 Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Adjustment

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Adjustment” above, the exercise of the Offer Size Adjustment Option in whole or in part and/or any adjustment of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering and pursuant to the International Placing Underwriting Agreement, we expect to grant an Offer Size Adjustment Option to the International Placing Underwriters.

Pursuant to the Offer Size Adjustment Option, the Joint Global Coordinators (for themselves and on behalf of the International Placing Underwriters) will have the right, exercisable at any time during the period from the date of this prospectus to Tuesday, 7 March 2017, being the last business day prior to the Listing Date, at their sole and absolute discretion, to require our Company to issue, at the Offer Price, up to an aggregate of 9,000,000 additional Shares, representing 15% of the initial Offer Shares to cover over-allocations in the International Placing, subject to the terms of the International Placing Underwriting Agreement. The Joint Global Coordinators in their sole and absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 2.9% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, the Capitalisation Issue 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 option that may be granted under the Share Option Scheme.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Global Coordinators to meet any excess demand in the International Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the International Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Our Company will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised at any future date. The allotment results announcement will be published on the Stock Exchange website at (www.hkexnews.hk) and our Company's website at (www.microware.com.hk).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 8 March 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 8 March 2017. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares will be 1985.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong 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); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close associate of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong 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, 24 February 2017 to 12:00 noon on Wednesday, 1 March 2017 from:

- (a) the following addresses of the Hong Kong Underwriters:

Innovax Capital Limited

2002, 20th Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Sinolink Securities (Hong Kong) Company Limited	Units 2503, 2505–06, 25/F., Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
Gransing Securities Co., Limited	805–806, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Convoy Investment Services Limited	21/F, Tesbury Centre 24–32 Queen’s Road East Wanchai, Hong Kong
Alliance Capital Partners Limited	Room 1502–03A, 15/F Wing On House 71 Des Voeux Road Central Hong Kong
CNI Securities Group Limited	10/F, Sun’s Group Centre 200 Gloucester Road Wanchai, Hong Kong
Head & Shoulders Securities Limited	Room 2511, 25/F Cosco Tower 183 Queen’s Road Central Hong Kong
Telecom Digital Securities Limited	Units 3608–12, Tower 2, Metroplaza 223 Hing Fong Road Kwai Fong New Territories Hong Kong
Paul Securities Limited	10/F, 80 Gloucester Road Wanchai Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(b) any of the branches of the following receiving bank:

DBS Bank (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Hennessy Road Branch	427–429 Hennessy Road, Causeway Bay
	Aberdeen Branch	Shops A & B, G/F, Units A & B, 1/F, On Tai Building, 1–3 Wu Nam Street, Aberdeen, Hong Kong
Kowloon	Canton Road — DBS Treasures Centre	G/F, Hanley House, 68 Canton Road, Tsimshatsui, Kowloon
	Nathan Road Branch	G/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
New Territories	Yuen Long Branch	G/F, 1–5 Tai Tong Road, Yuen Long
	Ma On Shan Branch	Shop 205–206, Level 2, Ma On Shan Plaza, Ma On Shan
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 24 February 2017 until 12:00 noon on Wednesday, 1 March 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG 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 "Ting Hong Nominees Limited — Microware Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 24 February 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, 25 February 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, 27 February 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 28 February 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 1 March 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 1 March 2017, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form service**, among other things, you:

- (a) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (c) **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;
- (d) **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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (e) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) **agree** that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) **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 International Placing nor participated in the International Placing;
- (h) **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, 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;
- (i) if the laws of any place outside Hong Kong apply to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Joint Global Coordinators 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;
- (j) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) **agree** that your application will be governed by the laws of Hong Kong;
- (l) **represent, warrant** and **undertake** that (i) you understand that the Hong Kong 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 Hong Kong 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;
- (m) **warrant** that the information you have provided is true and accurate;
- (n) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) **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 Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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;

- (p) **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;
- (q) **understand** that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (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 see the YELLOW Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who can apply” section, may apply through the **HK eIPO White Form service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form service**.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m., Friday, 24 February 2017 until 11:30 a.m., Wednesday, 1 March 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Wednesday, 1 March 2017 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the applications lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form service** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

1/F, One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong 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 the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Hong Kong 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 Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
 - **undertake and confirm** that you or the persons(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 International Offering nor participated in the International Placing;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong Offer Shares allocated to you and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any 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 in the Application Form and agree to be bound by them;
- **confirm** that you have received and read a copy of this prospectus and have relied only on the information and representations in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- **agree** that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Global Coordinators, 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;
- **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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering 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 Hong Kong 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 Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 24 February 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Monday, 27 February 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, 28 February 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 1 March 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 24 February 2017 until 12:00 noon on Wednesday, 1 March 2017.

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 1 March 2017, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Hong Kong 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, Wednesday, 1 March 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 1 March 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 1 March 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 7 March 2017 to be published (i) in The Standard (in English) and Sing Tao Daily (in Chinese); (ii) on our Company’s website at www.microware.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 Hong Kong Public Offering will be available at the dates and times and in the manner specified below:

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- in the announcement to be posted on our Company's website at www.microware.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m., Tuesday, 7 March 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m., Tuesday, 7 March 2017 to 12:00 midnight, on Monday, 13 March 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 7 March 2017 to Friday, 10 March 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 7 March 2017 to Thursday, 9 March 2017 at all the 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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.46 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure and conditions of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 7 March 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong 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 Hong Kong 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Tuesday, 7 March 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., Wednesday, 8 March 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(a) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong 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, 7 March 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 7 March 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(b) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 7 March 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 7 March 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering 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 Hong Kong Public Offering in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 March 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 March 2017, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 7 March 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 7 March 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 Hong Kong Public Offering in the manner specified in "11. Publication of results" above on Tuesday, 7 March 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 March 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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, 7 March 2017. Immediately following the credit of the Hong Kong 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 Hong Kong 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, 7 March 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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.

Deloitte.

德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

24 February 2017

The Directors
Microware Group Limited

Innovax Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Microware Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2014, 2015 and 2016 and five months ended 31 August 2016 (the “Track Record Periods”) for inclusion in the prospectus issued by the Company dated 24 February 2017 (the “Prospectus”), in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 January 2016. Pursuant to a group reorganisation as disclosed in the section headed “History, Reorganisation and corporate structure” to the Prospectus (the “Group Reorganisation”), the Company became the holding company of the Group on 31 March 2016.

The Company and all its subsidiaries have adopted 31 March as their financial year end date. Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation/ operation	Date of incorporation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Company					Principal activities
				31 March 2014	31 March 2015	31 March 2016	31 August 2016	As at date of report	
Microware Hong Kong Limited (“Microware BVI”) [^]	British Virgin Islands (“BVI”)	3 February 2016	Hong Kong dollar (“HK\$”) 1	N/A	N/A	100%	100%	100%	Investment holding
Microware Limited (“Microware Ltd.”)	Hong Kong	2 October 1985	US\$6,000,000	83.8%	81.2%	100%	100%	100%	Provision of IT infrastructure solutions services and provision of IT managed services
Microware USA Limited (“Microware USA”) [#]	Hong Kong	9 January 2007	HK\$10,000	83.8%	81.2%	—	—	—	Inactive

Name of subsidiary	Place of incorporation/ operation	Date of incorporation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Company					As at date of report	Principal activities
				31 March 2014	31 March 2015	31 March 2016	31 August 2016			
Microware (Macau) Limited ("Microware Macau")*	Macau	4 September 2012	Macau Pataca ("MOP") 25,000	83.8%	81.2%	—	—	—	Provision of IT infrastructure solutions services	
Cumulus Managed Services Limited ("Cumulus")	Hong Kong	1 March 2013	HK\$1	100%	81.2%	100%	100%	100%	Provision of IT infrastructure solutions services	
Microware Computer Systems Limited ("Microware Computer Systems")	Hong Kong	18 June 1997	HK\$10,000	100%	100%	100%	100%	100%	Inactive	
ProAct IT Services Limited ("ProAct IT")	Hong Kong	7 April 2004	HK\$100,000	100%	100%	100%	100%	100%	Provision of IT managed services	

* Microware Macau was de-registered on 31 December 2015.

Microware USA is transferred to Mr. Yang Shun Tsing ("Mr. Yang"), the director and controlling shareholder of the Group, on 19 January 2016 at a consideration of HK\$1. There is no gain or loss resulted during the year ended 31 March 2016. During the Track Record Periods, Microware USA contributed insignificantly to the Group's results and cash flows.

^ Directly held by the Company

No audited financial statements have been prepared for the Company, Microware BVI and Microware Macau since their respective dates of incorporation as they were incorporated in jurisdiction where there is no statutory audit requirements. No audit financial statements have been prepared for Microware USA since it is dormant since date of incorporation.

We have acted as the statutory auditor of Microware Ltd., Cumulus and ProAct IT for the year ended 31 March 2016 as well as Microware Computer Systems for the years ended 31 March 2015 and 2016. The statutory financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of the following subsidiaries were prepared in accordance with the “Hong Kong Financial Reporting Standard for Private Entities” issued by the HKICPA and audited by Chang Leung Hui & Li C.P.A. Limited as follows:

<u>Name of company</u>	<u>Financial period</u>
Microware Ltd.	For the years ended 31 March 2014 and 2015
Cumulus	For the period from 1 March 2013 (date of incorporation) to 31 March 2014 and the year ended 31 March 2015
Microware Computer Systems	For the year ended 31 March 2014
ProAct IT	For the period ended 7 April 2004 (date of incorporation) to 31 March 2014 and the year ended 31 March 2015

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with accounting policies that conform with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out on note 2 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 August 2016 and of the Company as at 31 March 2016 and 31 August 2016 and of the financial performance and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the five months ended 31 August 2015 together with the notes thereon have been extracted from

the Group's unaudited consolidated financial information for the same period (the "31 August 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 August 2015 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 August 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 August 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Five months ended 31 August	
		2014	2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	8	1,082,087	1,064,152	1,075,491	413,384	436,835
Cost of sales		(962,447)	(940,194)	(949,995)	(365,706)	(384,947)
Gross profit		119,640	123,958	125,496	47,678	51,888
Other income	9	2,242	1,893	2,023	791	311
Other gains and losses, net	9	2,443	1,506	738	(1,510)	1,180
Other expenses		(2,590)	(2,523)	(2,322)	(1,112)	(1,226)
Distribution and selling expenses		(57,166)	(61,382)	(62,565)	(23,585)	(25,013)
Administrative expenses		(22,533)	(22,200)	(22,735)	(8,858)	(9,659)
Listing expenses		—	—	(2,377)	—	(9,200)
Finance costs	10	(36)	—	—	—	—
Profit before taxation		42,000	41,252	38,258	13,404	8,281
Taxation	11	(7,027)	(7,279)	(7,055)	(2,547)	(2,815)
Profit and total comprehensive income for the year/period	12	<u>34,973</u>	<u>33,973</u>	<u>31,203</u>	<u>10,857</u>	<u>5,466</u>
Profit and total comprehensive income for the year/period attributable to:						
— owners of the Company		29,301	27,534	24,861	8,808	5,466
— non-controlling interests		<u>5,672</u>	<u>6,439</u>	<u>6,342</u>	<u>2,049</u>	<u>—</u>
		<u>34,973</u>	<u>33,973</u>	<u>31,203</u>	<u>10,857</u>	<u>5,466</u>
Earnings per share	15					
Basic (HK\$)		<u>0.15</u>	<u>0.14</u>	<u>0.13</u>	<u>0.05</u>	<u>0.02</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			The Company		
		As at 31 March			As at	As at	As at
		2014	2015	2016	31 August	31 March	31 August
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS							
Property, plant and equipment	16	3,052	1,608	1,649	1,320	—	—
Deferred tax asset	17	189	388	388	388	—	—
Prepayments and deposits	21	1,471	1,148	2,732	2,236	—	—
Structured deposits	18	8,111	—	—	—	—	—
Investment in a subsidiary		—	—	—	—	—*	—*
		<u>12,823</u>	<u>3,144</u>	<u>4,769</u>	<u>3,944</u>	<u>—</u>	<u>—</u>
CURRENT ASSETS							
Inventories	20	36,144	32,546	54,411	27,618	—	—
Trade and other receivables, prepayment and deposits	21	141,850	158,521	178,184	226,849	2,432	3,038
Amounts due from related parties	22	93,400	95,950	—	—	—	—
Structured deposits	18	20,588	8,177	—	—	—	—
Derivative financial instruments	19	110	—	—	—	—	—
Bank balances and cash	23	85,474	104,489	108,037	43,093	—	49
		<u>377,566</u>	<u>399,683</u>	<u>340,632</u>	<u>297,560</u>	<u>2,432</u>	<u>3,087</u>
CURRENT LIABILITIES							
Trade and other payables and accruals	24	218,682	241,698	233,330	184,303	520	4,966
Derivative financial instruments	19	—	94	170	304	—	—
Amount due to a subsidiary	33	—	—	—	—	4,367	9,777
Tax liabilities		2,208	3,190	2,482	3,424	—	—
		<u>220,890</u>	<u>244,982</u>	<u>235,982</u>	<u>188,031</u>	<u>4,887</u>	<u>14,743</u>
NET CURRENT ASSETS (LIABILITIES)		<u>156,676</u>	<u>154,701</u>	<u>104,650</u>	<u>109,529</u>	<u>(2,455)</u>	<u>(11,656)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>169,499</u>	<u>157,845</u>	<u>109,419</u>	<u>113,473</u>	<u>(2,455)</u>	<u>(11,656)</u>
NON-CURRENT LIABILITIES							
Derivative financial instruments	19	—	—	760	—	—	—
Deferred revenue	24	3,252	2,304	4,544	3,892	—	—
		<u>3,252</u>	<u>2,304</u>	<u>5,304</u>	<u>3,892</u>	<u>—</u>	<u>—</u>
NET ASSETS (LIABILITIES)		<u>166,247</u>	<u>155,541</u>	<u>104,115</u>	<u>109,581</u>	<u>(2,455)</u>	<u>(11,656)</u>

* Less than HK\$1,000

	<i>Notes</i>	The Group			The Company		
		As at 31 March			As at	As at	As at
		2014	2015	2016	31 August	31 March	31 August
		HK\$'000	HK\$'000	HK\$'000	2016	2016	2016
CAPITAL AND RESERVES							
Share capital	26	47,085	47,085	—	—	—	
Reserves		92,213	79,021	104,115	109,581	(2,455)	
						(11,656)	
Equity attributable to owners of the							
Company		139,298	126,106	104,115	109,581	(2,455)	
Non-controlling interests		26,949	29,435	—	—	—	
TOTAL EQUITY		166,247	155,541	104,115	109,581	(2,455)	
						(11,656)	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests		Total
	Share capital	Share premium	Other reserve	Retained profits	Total	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2013	46,910	175	8,578	88,891	144,554	21,419	165,973
Profit and total comprehensive income for the year	—	—	—	29,301	29,301	5,672	34,973
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	175	(175)	—	—	—	—	—
Transfer arising from changes in ownership interests of subsidiaries held by non-controlling interests	—	—	(5,479)	—	(5,479)	5,479	—
Shareholder's contribution arising from share-based payment arrangements	—	—	1,090	—	1,090	211	1,301
Dividends paid (note 14)	—	—	—	(30,168)	(30,168)	(5,832)	(36,000)
At 31 March 2014	47,085	—	4,189	88,024	139,298	26,949	166,247
Profit and total comprehensive income for the year	—	—	—	27,534	27,534	6,439	33,973
Transfer arising from changes in ownership interests of subsidiaries held by non-controlling interests	—	—	(4,491)	—	(4,491)	4,491	—
Shareholder's contribution arising from share-based payment arrangements	—	—	2,693	—	2,693	628	3,321
Dividends paid (note 14)	—	—	—	(38,928)	(38,928)	(9,072)	(48,000)
At 31 March 2015	47,085	—	2,391	76,630	126,106	29,435	155,541
Profit and total comprehensive income for the year	—	—	—	24,861	24,861	6,342	31,203
Transfer arising from changes in ownership interests of subsidiaries held by non-controlling interests	—	—	156	—	156	(156)	—
Shareholder's contribution arising from share-based payment arrangements	—	—	1,113	—	1,113	258	1,371
Dividends paid (note 14)	—	—	—	(68,208)	(68,208)	(15,792)	(84,000)
Transfer arising from the Group Reorganisation	(47,085)	—	67,172	—	20,087	(20,087)	—
At 31 March 2016	—	—	70,832	33,283	104,115	—	104,115
Profit and total comprehensive income for the period	—	—	—	5,466	5,466	—	5,466
At 31 August 2016	—	—	70,832	38,749	109,581	—	109,581
At 1 April 2015	47,085	—	2,391	76,630	126,106	29,435	155,541
Profit and total comprehensive income for the period (unaudited)	—	—	—	8,808	8,808	2,049	10,857
At 31 August 2015 (unaudited)	47,085	—	2,391	85,438	134,914	31,484	166,398

Note: Other reserve at 1 April 2013 represents the balance in relation to the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	42,000	41,252	38,258	13,404	8,281
Adjustments for:					
Interest income	(1,516)	(1,753)	(1,072)	(522)	(90)
Finance costs	36	—	—	—	—
Allowance for (reversal of) inventories	1,497	(1,164)	6,316	(2,511)	(2,255)
(Reversal of) allowance for bad and doubtful debts, net	(473)	840	210	118	—
Fair value changes of structured deposits	429	6	(78)	(78)	—
Share-based payments	1,301	3,321	1,371	—	—
Fair value changes of derivative financial instruments	(1,126)	(1,031)	156	1,781	(781)
Depreciation	2,460	2,083	1,263	489	404
Loss on disposal of property, plant and equipment	—	—	69	49	—
Operating cash flows before movements in working capital	44,608	43,554	46,493	12,730	5,559
(Increase) decrease in inventories	(1,547)	4,762	(28,181)	(3,152)	29,048
Decrease (increase) in trade and other receivables, prepayments and deposits	6,432	(17,188)	(21,457)	(13,377)	(48,169)
Increase (decrease) in trade and other payables and accruals	24,369	22,068	(6,128)	(46,601)	(49,679)
Net change in derivative financial instruments	1,141	1,235	680	442	155
Cash generated from (used in) operations	75,003	54,431	(8,593)	(49,958)	(63,086)
Income tax paid	(8,573)	(6,496)	(7,763)	(1,779)	(1,873)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	66,430	47,935	(16,356)	(51,737)	(64,959)
INVESTING ACTIVITIES					
Bank interest received	165	251	332	96	90
Purchase of property, plant and equipment	(1,815)	(639)	(1,373)	(243)	(75)
Placement of structured deposits	(29,128)	—	—	—	—
Withdrawal of structured deposits	—	20,516	8,255	8,255	—
Repayment from related parties	120,348	124,178	165,996	110,864	—
Advance to related parties	(198,628)	(163,883)	(103,131)	(91,349)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(109,058)	(19,577)	70,079	27,623	15

Note	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
FINANCING ACTIVITIES					
	(36)	—	—	—	—
	16,000	—	—	—	—
	(16,260)	—	—	—	—
35	(6,007)	(9,343)	(50,175)	—	—
NET CASH USED IN FINANCING ACTIVITIES					
	(6,303)	(9,343)	(50,175)	—	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS					
	(48,931)	19,015	3,548	(24,114)	(64,944)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD					
	134,405	85,474	104,489	104,489	108,037
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash					
	85,474	104,489	108,037	80,375	43,093

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is a private limited company incorporated in the Cayman Islands on 20 January 2016. The address of the registered office and principal place of business are stated in the “Corporate Information” section of the Prospectus.

The Company’s immediate and ultimate holding company is Microware International Holdings Limited (“Microware International”), a limited company incorporated in the BVI in which Microware International is wholly owned by Mr. Yang.

The Company is an investment holding company. The principal activities of the Group is principally engaged in the provision of IT infrastructure solutions services and IT managed services in Hong Kong.

The Financial Information is presented in HK\$ which is also the functional currency of the Group.

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparation of the listing of the Company’s shares the Stock Exchange (the “Listing”), the companies comprising the Group underwent the Reorganisation as described below.

- (i) The Company was incorporated in the Cayman Islands on 20 January 2016 to act as the holding company of the Group. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one Share, representing the entire issued share capital of the Company, was held by Microware International.
- (ii) Microware BVI was incorporated in the BVI on 3 February 2016 and the initial authorised share capital of Microware BVI was 10,000 ordinary shares with a par value of HK\$1 each. Upon incorporation, one share, representing the entire issued share capital of Microware BVI, was allotted and issued to and held by the Company.
- (iii) On 19 January 2016, Microware Ltd. transferred entire share capital in Microware USA to Mr. Yang at a consideration of HK\$1. Upon completion of such transfer, Microware USA ceased to be a subsidiary of Microware Ltd..
- (iv) Microware Macau was deregistered on 31 December 2015.
- (v) On 31 March 2016, Microware BVI acquired entire share capital of Microware Computer Systems, ProAct IT, Cumulus and Microware Ltd., by issuance of 2 Shares, 1 Share, 1 Share and 119,995 Shares of the Company, respectively. Upon the completion, Microware Computer Systems, ProAct IT, Cumulus and Microware Ltd. became the wholly-owned subsidiary of Microware BVI.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 31 March 2016. The Company and its subsidiaries have been under the common control of Mr. Yang throughout the Relevant Periods or since their respective dates of incorporation, where there is a shorter period.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 March 2014, 2015 and 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure has been in existence throughout each of the three years ended 31 March 2014, 2015 and 2016, or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31

March 2014 and 31 March 2015 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 that date taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has applied all HKFRSs which are effective for the Group’s accounting period beginning on 1 April 2016, consistently throughout the Track Record Periods.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers 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 HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴

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

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 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, HKFRS 15 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements in future based on the existing business model of the Group as at 31 August 2016.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the combined statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in note 28, total operating lease commitment of the Group in respect of leased premises as at 31 August 2016 is amounted to HK\$6,095,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in the future in respect of leased premises with terms more than 12 months will be required to be recognised in the consolidated statement of financial position in future as right-of-use assets and lease liabilities and the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial statements in future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods or 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payments" and 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 are set out below.

Basis of consolidation

The 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 item 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Merger accounting for business combination involving entities under common control

The 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 business first came under common 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 and 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 this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from provision of service is recognised when services are provided. Service income received but not yet recognised as revenue are presented as deferred revenue.

Interest income from a financial asset is recognised when it is probable that 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.

Property, plant and equipment

Property, plant and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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/period. 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 profit will be available against which those deductible temporary differences can be utilised.

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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL when it is a derivative that is not designated and effective as a hedging instrument; or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the profit or loss excludes any interest earned on the financial assets and is included in "other gains and losses" line item. Fair value is determined in the manner described in note 7.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Impairment loss for loans and receivables are assessed on an individual basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and accruals) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share awards granted to employees

The fair value of services received determined by reference to the fair value of the equity instrument at the grant date less considerations paid by respective employee. The fair value of services received are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Net reversal of the allowance for bad and doubtful debts of HK\$473,000 is credited for the year ended 31 March 2014. Allowance for bad and doubtful debts of HK\$840,000, HK\$210,000 and nil are charged for the years ended 31 March 2015 and 2016 and five months ended 31 August 2016, respectively. As at 31 March 2014, 2015 and 2016 and 31 August 2016, the carrying amounts of trade receivables are HK\$129,596,000, HK\$143,784,000, HK\$151,420,000 and HK\$187,224,000 respectively.

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Reversal of the allowance for inventories of HK\$1,164,000 and HK\$2,255,000 are credited for the year ended 31 March 2015 and five months ended 31 August 2016, respectively. Allowance for inventories of HK\$1,497,000 and HK\$6,316,000 are charged for the years ended 31 March 2014 and 2016, respectively. The carrying amounts of inventories are HK\$36,144,000, HK\$32,546,000, HK\$54,411,000 and HK\$27,618,000 as at 31 March 2014, 2015 and 2016 and 31 August 2016 respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior years.

The capital structure of the Group represents equity attributable to owners of the Company, comprising issued share capital and reserves including other reserve and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new loan borrowings.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
The Group				
Financial assets				
Loans and receivables (including cash and cash equivalents)	309,572	345,750	260,109	249,227
Financial assets at FVTPL — structured deposits	28,699	8,177	—	—
Derivative financial instruments	110	—	—	—
Financial liabilities				
Amortised cost	170,789	193,653	176,852	133,727
Derivative financial instruments	—	94	930	304
The Company				
Financial liabilities				
Amortised cost	—	—	4,887	14,743

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables and accruals, amounts due from related parties, structured deposits, derivative financial instruments as well as bank balances and cash. 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 in a timely and effective manner.

*Market risks**Interest rate risk*

The Group's cash flow interest rate risk primarily relates to variable-rate amounts due from related parties (note 22) and bank balances (note 23).

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate amounts due from related parties. The analysis is prepared assuming the amount of asset of variable-rate outstanding at the end of the reporting period were outstanding for the whole year/period. Each year/period, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower as at 31 March 2014, 2015 and 2016 and 31 August 2016 and all other variables were held constant, profit for the year/period ended 31 March 2014, 2015 and 2016 and five months ended 31 August 2016 would increase/decrease by HK\$390,000, HK\$401,000, nil and nil respectively. This is mainly attributable to the exposure to interest rates on the variable-rate amounts due from related parties.

For the variable-rate bank balances, the directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and carrying amounts as at 31 March 2014, 2015 and 2016 and 31 August 2016. Accordingly, no sensitivity analysis on interest rate risk is presented.

Currency risk

The Group has foreign currency purchases, which exposes the Group to foreign currency risk. Certain bank balances and cash, other receivables and trade payables of the Group are denominated in foreign currencies. The carrying amounts of the Group's bank balances and cash, other receivables and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash				Other receivables				Trade payables			
	As at 31 March			As at 31 August	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	2014	2015	2016	2016	2014	2015	2016	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	12,533	8,871	6,111	5,883	—	—	7,800	17,160	68,217	62,037	61,165	36,661
MOP	959	1,674	—	—	—	—	—	—	—	—	—	—
Renminbi ("RMB")	1	61	7,868	7,609	—	—	—	—	—	—	—	—

The Group also entered into certain structured deposits as set out in note 18, of which the coupon rate is depended on exchange rates of RMB. The directors of the Company consider that currency risk arising from structured deposits is insignificant.

The Group has entered into certain foreign exchange forward contract as set out in note 19 to mitigate foreign exchange exposure arising on the purchase to external parties. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

No sensitivity analysis is provided on structured deposits and derivative financial instruments as the management of the Company considers that the effect of the foreign exchange rate fluctuations on the fair value of structured deposits and derivative financial instruments are considered as insignificant.

Sensitivity analysis

The change in exchange rate of HK\$ against MOP or US\$ has not been considered in the sensitivity analysis as HK\$ is pegged to US\$ and MOP is always stabilised with unchanged value to HK\$. In the opinion of the directors, the Group does not expect any significant movements between the exchange rate of US\$ and MOP against HK\$. Hence, only sensitivity of the change in foreign exchange rate of HK\$ against RMB is considered. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year/period where RMB strengthens 5% against HK\$. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Year ended 31 March			Five months ended
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Increase in post-tax profit for the year/period	—	3	393	159

Credit risk

As at 31 March 2014, 2015 and 2016 and 31 August 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and structured deposits is limited because the counterparties are banks with good reputation.

As at 31 March 2014 and 2015, the Group had concentration of credit risk on amounts due from related parties amounting to HK\$93,400,000 and HK\$95,950,000 respectively (note 22). The Group's related parties represented entities controlled by Mr. Yang. In order to minimise the credit risk on amounts due from related parties, the Group's management continuously monitors the credit quality and financial conditions of the related companies. The amounts were settled during the year ended 31 March 2016. Other than amounts due from related parties, the Group has no significant concentration of credit risk as the exposure spread over a number of counterparties and customers.

*Liquidity risk***The Group**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The contractual maturity of the Group for its non-derivative financial liabilities with undiscounted cash flow of HK\$170,789,000, HK\$193,653,000, HK\$176,852,000 and HK\$133,727,000 as at 31 March 2014, 2015 and 2016 and 31 August 2016, respectively, based on the earliest date on which the Group can be required to pay, are repayable on demand or within 3 months.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments by using the forward rate published by independent researchers as at 31 March 2014, 2015 and 2016 and 31 August 2016 respectively. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount of derivative forward contract (assets) liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014					
Derivative — net settlement	<u>27</u>	<u>135</u>	<u>68</u>	<u>230</u>	<u>(110)</u>
As at 31 March 2015					
Derivative — net settlement	<u>23</u>	<u>(135)</u>	<u>(75)</u>	<u>(187)</u>	<u>94</u>
As at 31 March 2016					
Derivative — net settlement	<u>(25)</u>	<u>(247)</u>	<u>(39)</u>	<u>(311)</u>	<u>930</u>
As at 31 August 2016					
Derivative — net settlement	<u>(27)</u>	<u>(209)</u>	<u>—</u>	<u>(236)</u>	<u>304</u>

The Company

The contractual maturity of the Company for its non-derivative financial liabilities with undiscounted cash flow of HK\$4,887,000 and HK\$14,743,000 as at 31 March 2016 and 31 August 2016, respectively, based on the earliest date on which the Company can be required to pay, are repayable on demand or within one year.

Fair value measurements of financial instruments***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March			As at 31 August 2016	Fair value hierarchy	Valuation technique	Key input
	2014	2015	2016				
Structured deposits	Assets: HK\$28,699,000	Assets: HK\$8,177,000	—	—	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate
Derivative financial instruments	Assets: HK\$110,000	Liabilities: HK\$94,000	Liabilities: HK\$930,000	Liabilities: HK\$304,000	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate

There were no transfers between Level 1 and 2 during Track Record Periods.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Company estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION**Revenue**

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount and other allowances for the year/period, and is analysed as follows:

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 ("CODM") that are used to make strategic decisions. Information reported to the chief operating decision makers is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group's operating and reportable segments are as follows:

- (1) IT infrastructure solution services business refers to the design of solutions and/or procurement of hardware and software by the Group; and
- (2) IT managed services business refers to the provision of maintenance and/or support services to IT systems of the customers by the Group.

Segment revenue and results

An analysis of the Group's operating and reportable segment revenue and segment results is as below:

	IT infrastructure solution services business	IT managed services business	Total
	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 March 2014			
Segment revenue	<u>994,945</u>	<u>87,142</u>	<u>1,082,087</u>
Segment results	<u>57,442</u>	<u>5,635</u>	63,077
Other income			2,242
Other gains and losses, net			2,443
Other expenses			(2,590)
Certain distribution and selling expenses			(603)
Administrative expenses			(22,533)
Finance costs			<u>(36)</u>
Profit before taxation			<u>42,000</u>
For the year ended 31 March 2015			
Segment revenue	<u>963,649</u>	<u>100,503</u>	<u>1,064,152</u>
Segment results	<u>58,220</u>	<u>5,565</u>	63,785
Other income			1,893
Other gains and losses, net			1,506
Other expenses			(2,523)
Certain distribution and selling expenses			(1,209)
Administrative expenses			<u>(22,200)</u>
Profit before taxation			<u>41,252</u>

	IT infrastructure solution services business	IT managed services business	Total
	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 March 2016			
Segment revenue	<u>963,359</u>	<u>112,132</u>	<u>1,075,491</u>
Segment results	<u>54,371</u>	<u>9,502</u>	63,873
Other income			2,023
Other gains and losses, net			738
Other expenses			(2,322)
Certain distribution and selling expenses			(942)
Administrative expenses			(22,735)
Listing expenses			<u>(2,377)</u>
Profit before taxation			<u>38,258</u>
	IT infrastructure solution services business	IT managed services business	Total
	HK\$'000	HK\$'000	HK\$'000
For five months ended 31 August 2015 (unaudited)			
Segment revenue	<u>376,517</u>	<u>36,867</u>	<u>413,384</u>
Segment results	<u>21,073</u>	<u>3,542</u>	24,615
Other income			791
Other gains and losses, net			(1,510)
Other expenses			(1,112)
Certain distribution and selling expenses			(522)
Administrative expenses			<u>(8,858)</u>
Profit before taxation			<u>13,404</u>

	IT infrastructure solution services business	IT managed services business	Total
	HK\$'000	HK\$'000	HK\$'000
For five months ended 31 August 2016			
Segment revenue	395,205	41,630	436,835
Segment results	22,045	5,231	27,276
Other income			311
Other gains and losses, net			1,180
Other expenses			(1,226)
Certain distribution and selling expenses			(401)
Administrative expenses			(9,659)
Listing expenses			(9,200)
Profit before taxation			8,281

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses, finance costs and listing expenses.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the executive directors of the Company for review.

Other segment information

	IT infrastructure solution services business	IT managed services business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit:				
For the year ended 31 March 2014				
Depreciation	138	532	1,790	2,460
Allowance for inventories	1,497	—	—	1,497
For the year ended 31 March 2015				
Depreciation	116	456	1,511	2,083
Reversal of inventories	(1,164)	—	—	(1,164)
For the year ended 31 March 2016				
Depreciation	132	421	710	1,263
Allowance for inventories	6,316	—	—	6,316
For the five months ended 31 August 2015 (unaudited)				
Depreciation	47	143	299	489
Reversal of inventories	(2,511)	—	—	(2,511)
For the five months ended 31 August 2016				
Depreciation	54	136	214	404
Reversal of inventories	(2,255)	—	—	(2,255)

Geographical information

The Group's operations are located in Hong Kong and Macau. Information about the Group's revenue is analysed by location where the products are delivered to customers and where the services are rendered. Information about the Group's non-current assets (excluding financial assets and deferred tax asset) which is presented based on geographical location of the assets.

	Revenue from external customers					Non-current assets			
	During the year ended			During the five months ended 31 August		As at 31 March			As at 31 August
	2014	2015	2016	2015	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)					
Hong Kong	1,080,262	1,061,229	1,071,978	410,959	436,835	4,132	2,377	4,050	3,212
Macau	1,825	2,923	3,513	2,425	—	79	56	—	—
	<u>1,082,087</u>	<u>1,064,152</u>	<u>1,075,491</u>	<u>413,384</u>	<u>436,835</u>	<u>4,211</u>	<u>2,433</u>	<u>4,050</u>	<u>3,212</u>

Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during Track Record Periods.

9. OTHER INCOME AND OTHER GAINS AND LOSSES, NET**Other income**

	Year ended 31 March			During the five months ended 31 August		
	2014	2015	2016	2015	2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest income		165	251	332	96	90
Interest income from related companies (Note 22)		1,351	1,502	740	426	—
Others		726	140	951	269	221
		<u>2,242</u>	<u>1,893</u>	<u>2,023</u>	<u>791</u>	<u>311</u>

Other gains and losses, net

	Year ended 31 March			During the five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Reversal of (allowance for) bad and doubtful debt, net	473	(840)	(210)	(118)	—
Fair value changes of structured deposits	(429)	(6)	78	78	—
Fair value changes of derivative financial instruments	1,126	1,031	(156)	(1,781)	781
Net foreign exchange gain	1,273	1,321	1,095	360	399
Loss on disposal of property, plant and equipment	—	—	(69)	(49)	—
	<u>2,443</u>	<u>1,506</u>	<u>738</u>	<u>(1,510)</u>	<u>1,180</u>

10. FINANCE COSTS

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Interest on bank borrowings	<u>36</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

11. TAXATION

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current tax:					
Hong Kong Profits Tax	7,109	7,478	7,055	2,547	2,815
Deferred tax	(82)	(199)	—	—	—
	<u>7,027</u>	<u>7,279</u>	<u>7,055</u>	<u>2,547</u>	<u>2,815</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during Track Record Periods.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year. No provision of the Macau Complementary Tax was made for the Group's Macau subsidiary as it suffered from tax losses during Track Record Periods.

The taxation for the year/period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before taxation	42,000	41,252	38,258	13,404	8,281
Taxation at Hong Kong Profits					
Tax rate of 16.5%	6,930	6,807	6,313	2,212	1,366
Tax effect of income not taxable for tax purposes	(235)	(270)	(72)	(19)	(133)
Tax effect of expenses not deductible for tax purposes	301	551	671	295	1,520
Tax effect of tax losses not recognised	91	167	3	—	3
Others	(60)	24	140	59	59
Taxation for the year/period	7,027	7,279	7,055	2,547	2,815

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit for the year/period has been arrived at after charging (crediting):					
Staff costs:					
Directors' remuneration (<i>note 13</i>)	3,289	3,910	3,460	1,413	1,873
Other staff costs	95,047	98,163	97,625	37,040	40,085
Share-based payments to employees (excluding directors) (<i>note 25</i>)	1,120	2,822	1,371	—	—
Contributions to retirement benefits schemes	3,284	3,425	3,372	1,319	1,363
	102,740	108,320	105,828	39,772	43,321
Auditor's remuneration	185	185	451	72	649
Cost of inventories recognised as an expense	890,976	853,693	856,571	336,926	346,720
Depreciation of property, plant and equipment	2,460	2,083	1,263	489	404
Minimum operating lease payments in respect of office premises and warehouses	5,984	6,473	6,774	2,885	2,786
Allowance for (reversal of) inventories (included in cost of sales)	1,497	(1,164)	6,316	(2,511)	(2,255)

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Mr. Yang, Mr. Chu Ming Ho and Mr. Wan Yiu Hon were appointed as the directors of the Company on 20 January 2016. The emoluments paid or payable to the directors and chief executive of Company (including emoluments for services as directors of the group entities prior to becoming the directors of the Company) by the Group during the Track Record Periods were as follows:

	<u>Directors' fee</u>	<u>Salaries, allowance and other benefits</u>	<u>Bonus</u>	<u>Share-based payments</u>	<u>Retirement benefits scheme contribution</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000 <i>(note i)</i>	HK\$'000 <i>(note 25)</i>	HK\$'000	HK\$'000
For the year ended						
31 March 2014						
<i>Executive directors</i>						
Mr. Yang	—	483	—	—	—	483
Mr. Chu Ming Ho	94	1,501	886	181	50	2,712
<i>Non-executive director</i>						
Mr. Wan Yiu Hon	94	—	—	—	—	94
	<u>188</u>	<u>1,984</u>	<u>886</u>	<u>181</u>	<u>50</u>	<u>3,289</u>

	<u>Directors' fee</u>	<u>Salaries, allowance and other benefits</u>	<u>Bonus</u>	<u>Share-based payments</u>	<u>Retirement benefits scheme contribution</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000 <i>(note i)</i>	HK\$'000 <i>(note 25)</i>	HK\$'000	HK\$'000
For the year ended						
31 March 2015						
<i>Executive directors</i>						
Mr. Yang	—	525	—	—	—	525
Mr. Chu Ming Ho	94	1,626	1,013	499	59	3,291
<i>Non-executive director</i>						
Mr. Wan Yiu Hon	94	—	—	—	—	94
	<u>188</u>	<u>2,151</u>	<u>1,013</u>	<u>499</u>	<u>59</u>	<u>3,910</u>

	Directors' fee	Salaries, allowance and other benefits	Bonus	Share-based payments	Retirement benefits scheme contribution	Total
	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 March 2016						
<i>Executive directors</i>						
Mr. Yang	—	505	—	—	—	505
Mr. Chu Ming Ho	94	1,682	1,026	—	59	2,861
<i>Non-executive director</i>						
Mr. Wan Yiu Hon	94	—	—	—	—	94
	<u>188</u>	<u>2,187</u>	<u>1,026</u>	<u>—</u>	<u>59</u>	<u>3,460</u>

	Directors' fee	Salaries, allowance and other benefits	Bonus	Share-based payments	Retirement benefits scheme contribution	Total
	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note 25)	HK\$'000	HK\$'000
For five months ended						
31 August 2015						
(unaudited)						
<i>Executive directors</i>						
Mr. Yang	—	225	—	—	—	225
Mr. Chu Ming Ho	39	743	342	—	25	1,149
<i>Non-executive director</i>						
Mr. Wan Yiu Hon	39	—	—	—	—	39
	<u>78</u>	<u>968</u>	<u>342</u>	<u>—</u>	<u>25</u>	<u>1,413</u>

	Directors' fee	Salaries, allowance and other benefits	Bonus	Share-based payments	Retirement benefits scheme contribution	Total
	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000	HK\$'000	HK\$'000
For five months ended						
31 August 2016						
<i>Executive directors</i>						
Mr. Yang	—	306	—	—	—	306
Mr. Chu Ming Ho (note ii)	39	1,119	345	—	25	1,528
<i>Non-executive director</i>						
Mr. Wan Yiu Hon	39	—	—	—	—	39
	<u>78</u>	<u>1,425</u>	<u>345</u>	<u>—</u>	<u>25</u>	<u>1,873</u>

Notes:

- (i) Bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (ii) Included in salaries, allowance and other benefits was rental expense of director's quarter occupied by Mr. Chu paid by the Group to the landlord, Mr. Yang, of HK\$380,000 for the five months ended 31 August 2016 as set out in note 29.

Mr. Chu Ming Ho acts as the chairman and chief executive officer of the Group.

The emoluments stated above were for their services in connection with their roles as directors of the Company and subsidiaries undertaking.

During the Track Record Periods, no remuneration was paid by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company have not waived any remuneration during the Track Record Periods.

Employees' emoluments

The five highest paid individuals of the Group include one director of the Company for the three years ended 31 March 2014, 2015 and 2016 and the five months ended 31 August 2015 and two directors of the Company for the five months ended 31 August 2016, whose emoluments are included in the disclosures above. The emoluments of the remaining four individuals for the years ended 31 March 2014, 2015 and 2016 and five months ended 31 August 2015 and remaining three individuals for the five months ended 31 August 2016 respectively, are as follows:

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries and other benefits	2,731	2,727	2,731	1,842	1,308
Bonuses	1,560	1,627	1,528	204	204
Share-based payments	259	682	548	—	—
Contributions to retirement benefit scheme	83	88	88	37	30
	<u>4,633</u>	<u>5,124</u>	<u>4,895</u>	<u>2,083</u>	<u>1,542</u>

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
Nil to HK\$1,000,000	1	—	1	4	3
HK\$1,000,001 to HK\$1,500,000	<u>3</u>	<u>4</u>	<u>3</u>	<u>—</u>	<u>—</u>

During the Track Record Periods, 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.

14. DIVIDEND

During the years ended 31 March 2014, 2015 and 2016, Microware Ltd. declared and paid dividends of HK\$36,000,000, HK\$48,000,000 and HK\$84,000,000 respectively to its then shareholders.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities during the Track Record Periods.

The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Earnings:					
Earnings for the purpose of calculating basic earnings per share (Profit for the year/period attributable to the owners of the Company)	29,301	27,534	24,861	8,808	5,466
	'000	'000	'000	'000	'000
Number of shares:					
Number of shares for the purpose of calculating basic earnings per share	201,200	194,752	194,804	194,640	240,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Company had been the holding company of the subsidiaries with shares issued and outstanding consistent with the basis of consolidation throughout the Relevant Periods and the capitalisation issue as described in Appendix IV to the Prospectus had been effective on 1 April 2013.

No diluted earnings per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 April 2013	4,821	10,795	—	15,616
Addition	—	1,519	296	1,815
Written off	—	(97)	—	(97)
At 31 March 2014	4,821	12,217	296	17,334
Additions	—	639	—	639
Written-off	—	(309)	—	(309)
At 31 March 2015	4,821	12,547	296	17,664
Additions	72	1,301	—	1,373
Disposals/written-off	(131)	(3,161)	—	(3,292)
At 31 March 2016	4,762	10,687	296	15,745
Additions	—	75	—	75
At 31 August 2016	4,762	10,762	296	15,820
ACCUMULATED DEPRECIATION				
At 1 April 2013	3,096	8,823	—	11,919
Provided for the year	914	1,464	82	2,460
Eliminated on written off	—	(97)	—	(97)
At 31 March 2014	4,010	10,190	82	14,282
Provided for the year	764	1,220	99	2,083
Eliminated on written-off	—	(309)	—	(309)
At 31 March 2015	4,774	11,101	181	16,056
Provided for the year	19	1,145	99	1,263
Eliminated on disposals/written-off	(94)	(3,129)	—	(3,223)
At 31 March 2016	4,699	9,117	280	14,096
Provided for the period	6	382	16	404
At 31 August 2016	4,705	9,499	296	14,500
CARRYING VALUES				
At 31 March 2014	811	2,027	214	3,052
At 31 March 2015	47	1,446	115	1,608
At 31 March 2016	63	1,570	16	1,649
At 31 August 2016	57	1,263	—	1,320

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the shorter of lease term or 20%
Furniture, fixtures and office equipment	20%–33 $\frac{1}{3}$ %
Motor vehicles	33 $\frac{1}{3}$ %

17. DEFERRED TAXATION

The following are the major deferred tax assets arising from accelerated accounting depreciation recognised by the Group and movement thereon during the Track Record Periods.

	HK\$'000
At 1 April 2013	107
Credit to profit or loss	<u>82</u>
At 31 March 2014	189
Credit to profit or loss	<u>199</u>
At 31 March 2015 and 2016 and 31 August 2016	<u><u>388</u></u>

During the year ended 31 March 2016, tax losses of approximately HK\$483,000 was forfeited due to dissolution of Microware Macau. At 31 March 2014, 2015 and 2016 and 31 August 2016, the Group had estimated unused tax losses of approximately HK\$778,000, HK\$1,788,000, HK\$1,236,000 and HK\$1,254,000 respectively to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

18. STRUCTURED DEPOSITS

	<u>As at 31 March</u>			<u>As at 31 August 2016</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed as:				
Current	20,588	8,177	—	—
Non-current	<u>8,111</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>28,699</u></u>	<u><u>8,177</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

The structured deposits are placed with banks in Hong Kong of which the annual coupon rate is dependent on whether the spot rate for conversion of RMB for US\$ as prevailing in the international foreign exchange market on a specified date (the "Fixing Date") is equal to or less than the exchange rate as specified in the relevant agreements (the "Strike Rate"). As the returns are determined by reference to the change in exchange rates quoted in market which are not closely related to the host debt, the structured deposits contain embedded derivatives and are designated as financial assets at FVTPL at initial recognition.

Major terms of the structured deposits during the Track Record Periods are as follows:

<u>Principal amount</u>	<u>Contract date</u>	<u>Maturity date</u>	<u>Fixing Date</u>	<u>Annual coupon rate</u>	<u>Strike Rate</u>
RMB10,000,000	20 May 2013	20 May 2014	20 May 2014	4.0%	6.1450
RMB6,500,000	11 June 2013	13 June 2014	11 June 2014	8.0%	6.0867
RMB6,500,000	3 March 2014	3 September 2015	27 August 2015	6.6%	6.0330

At the end of the reporting period, the structured deposits are stated at fair value. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of relevant exchange rates. Details are set out in note 7.

19. DERIVATIVE FINANCIAL INSTRUMENTS

During the Track Record Periods, the Group entered into HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to manage the Group's currency risk.

The Group is required to transact with the bank monthly during contract period for designated notional amount under the respective contract. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market ("Spot Rate") on fixing date is higher than the upper strike price, the Group will pay the bank for an amount equivalent to notional amount 1 multiplied by (1) the difference between upper strike price and lower strike price, or (2) the difference between spot rate and bonus points ranging from 0.00 to 0.055, depending on respective contract terms. If the spot rate on fixing date is lower than the upper strike price but higher than lower strike price, the Group will buy Notional Amount 1 from the banks at lower strike price. If the spot rate on fixing date is lower than lower strike price, the Group will buy notional amount 2 at lower strike price from the banks.

	<u>Notional amount 1</u>	<u>Notional amount 2</u>	<u>Contract date</u>	<u>Lower strike price</u>	<u>Upper strike price</u>	<u>Beginning fixing date</u>	<u>Ending fixing date</u>
							<i>(note)</i>
Contract A	US\$300,000	US\$900,000	5 January 2012	7.7450	7.8000	26 April 2012	26 June 2013
Contract B	US\$300,000	US\$900,000	5 January 2012	7.7450	7.8000	11 April 2012	11 June 2013
Contract C	US\$300,000	US\$900,000	8 November 2012	7.7250	7.7800	5 December 2012	5 November 2014
Contract D	US\$300,000	US\$900,000	8 November 2012	7.7250	7.7800	19 December 2012	10 November 2014
Contract E	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	4 December 2014	4 August 2016
Contract F	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	18 December 2014	18 August 2016
Contract G	US\$750,000	US\$1,500,000	6 March 2013	7.7180	7.7480	4 July 2013	8 June 2015
Contract H	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	3 August 2015	2 November 2016
Contract I	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	17 August 2015	8 November 2016
Contract J	US\$300,000	US\$900,000	13 August 2015	7.7250	7.7600	15 September 2015	15 August 2017
Contract K	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	8 September 2016	9 August 2017
Contract L	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	22 September 2016	24 August 2017

Note: The contract maturity date is approximate to the Ending fixing date.

The above contracts are measured at fair value at the end of the reporting period.

20. INVENTORIES

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
Finished goods	36,144	32,546	54,411	27,618

21. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

The Group

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
Trade receivables	129,610	144,638	151,915	187,719
Less: Allowance for bad and doubtful debts	(14)	(854)	(495)	(495)
	129,596	143,784	151,420	187,224
Rental deposits	312	323	331	344
Prepayment for costs of maintenance services	11,331	12,637	17,148	22,607
Deposits paid to supplier	—	—	7,800	17,160
Others	2,082	2,925	4,217	1,750
Total trade and other receivables, deposits and prepayments	143,321	159,669	180,916	229,085
Analysed as:				
Current	141,850	158,521	178,184	226,849
Non-current	1,471	1,148	2,732	2,236
	143,321	159,669	180,916	229,085

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. The Group allows an average credit period of 30 to 60 days to its customers.

The following is an ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
0 to 30 days	59,869	76,928	87,645	72,551
31 to 60 days	31,531	30,365	25,238	51,319
61 to 90 days	13,210	18,337	11,365	41,407
91 to 120 days	8,739	13,352	19,781	4,370
121 to 180 days	7,654	3,934	6,197	10,013
Over 180 days	8,593	868	1,194	7,564
	<u>129,596</u>	<u>143,784</u>	<u>151,420</u>	<u>187,224</u>

As at 31 March 2014, 2015, 2016 and 31 August 2016, aggregate carrying amounts of HK\$83,009,000, HK\$78,372,000, HK\$75,267,000 and HK\$128,788,000 were past due respectively for which the Group has not provided for impairment loss as there were settlements subsequent to the end of the reporting period or there were continuous settlements by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 63.7 days, 41.3 days, 49.8 days and 66.7 days as at 31 March 2014, 2015, 2016 and 31 August 2016 respectively.

Ageing of trade receivables from third parties past due but not impaired

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
0 to 30 days	39,538	43,361	34,654	56,483
31 to 60 days	16,616	14,942	12,668	48,787
61 to 90 days	9,812	14,574	19,641	4,502
91 to 120 days	5,683	2,701	4,699	4,907
121 to 180 days	4,832	2,115	2,662	8,724
Over 180 days	6,528	679	943	5,385
	<u>83,009</u>	<u>78,372</u>	<u>75,267</u>	<u>128,788</u>

Movement in the allowance for bad and doubtful debts

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
At the beginning of the reporting period	535	14	854	495
Impairment loss recognised on receivables	62	854	495	—
Amounts recovered during the year/period	(535)	(14)	(285)	—
Amounts written off as uncollectible	(48)	—	(569)	—
	<u>14</u>	<u>854</u>	<u>495</u>	<u>495</u>

The Company

	<u>As at 31 March 2016</u> HK\$'000	<u>As at 31 August 2016</u> HK\$'000
Prepayments and others	2,432	3,038

22. AMOUNTS DUE FROM RELATED PARTIES

	<u>At 1 April 2013</u> HK\$'000	<u>At 31 March</u>			<u>As at 31 August 2016</u> HK\$'000	<u>Maximum outstanding amount</u>			
		<u>2014</u> HK\$'000	<u>2015</u> HK\$'000	<u>2016</u> HK\$'000		<u>during the year ended 31 March</u>			<u>during the five months ended</u>
						<u>2014</u> HK\$'000	<u>2015</u> HK\$'000	<u>2016</u> HK\$'000	<u>31 August 2016</u> HK\$'000
Microware Properties Limited ("Microware Properties")	13,946	10,829	6,155	—	—	<u>13,946</u>	<u>10,829</u>	<u>6,155</u>	<u>—</u>
Microware International	<u>29,818</u>	<u>82,571</u>	<u>89,795</u>	—	—	<u>111,341</u>	<u>107,128</u>	<u>90,164</u>	<u>—</u>
	<u>43,764</u>	<u>93,400</u>	<u>95,950</u>	<u>—</u>	<u>—</u>				

Amounts due from Microware International was interest bearing at 1.25% per annum plus the Hong Kong Interbank Offered Rate. Amounts due from Microware Properties was interest bearing at HK\$ Best Lending Rate quoted by the DBS Bank (Hong Kong) Limited less 2.5% per annum. All of the amounts were non-trade in nature, unsecured, with no fixed repayment term while the directors of the Company were of the opinion that the amounts would be recovered within twelve months from each reporting period. Mr. Yang is also the director and controlling shareholder of these related companies.

The amounts were settled during the year ended 31 March 2016.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at market rates which range from 0.01% to 2.5% per annum during the Track Record Periods.

24. TRADE AND OTHER PAYABLES AND ACCRUALS

The Group

The following is an analysis of trade and other payables and accruals:

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
Trade payables	138,116	164,650	142,913	94,986
Accrued staff costs	10,453	12,024	14,090	18,443
Receipt in advance	16,298	12,701	14,630	4,263
Deferred revenue	34,847	37,648	46,392	50,205
Others	22,220	16,979	19,849	20,298
	<u>221,934</u>	<u>244,002</u>	<u>237,874</u>	<u>188,195</u>
Analysed as:				
Current	218,682	241,698	233,330	184,303
Non-current	<u>3,252</u>	<u>2,304</u>	<u>4,544</u>	<u>3,892</u>
	<u>221,934</u>	<u>244,002</u>	<u>237,874</u>	<u>188,195</u>

The following is an ageing analysis of trade payables presented based on the invoice date.

	As at 31 March			At as
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
0 to 30 days	55,412	84,582	82,571	46,404
31 to 60 days	33,468	52,465	35,550	32,055
61 to 90 days	37,116	23,378	14,700	14,629
Over 90 days	<u>12,120</u>	<u>4,225</u>	<u>10,092</u>	<u>1,898</u>
	<u>138,116</u>	<u>164,650</u>	<u>142,913</u>	<u>94,986</u>

The Company

	As at	As at
	31 March 2016	31 August 2016
	HK\$'000	HK\$'000
Accrued charges	<u>520</u>	<u>4,966</u>

25. SHARE-BASED PAYMENT TRANSACTIONS

Since the year ended 31 March 2007, Mr. Yang, the controlling shareholder of the Company, established a share award scheme (the "Scheme") as a token of appreciation of the employees' contribution to the Group and to retain the employees with the Group. Under the Scheme, Microware Investment Hong Kong Limited ("Microware Investment"), a company incorporated in BVI by Mr. Yang, which in turn holds shares of Microware Ltd., will issue and allot new shares to selected employees of the Group. The shares are granted at a consideration based on the net book value per share as extracted from the audited financial statements of Microware Ltd. for the respective preceding financial year available at the relevant time. In addition, to recognise the long service of the employees of the Group who have served for over 20 years, Mr. Yang will transfer certain of his shares in Microware Investment to such employees as an award at a consideration of HK\$1.00.

The shares awarded shall not be sold, exchanged, transferred, disposed of, encumbered, pledged, mortgaged, hypothecated, given, devised or bequeathed, and no agreement or commitment shall be made to do any of the same, except transferring the shares to Mr. Yang. Upon termination of the employment contract, the award holders shall transfer all their shares to Mr. Yang at a consideration based on the net book value per share as extracted from the management accounts of Microware Ltd. at 30 September and 31 March every year. Upon the grant, the awards are vested unconditionally and immediately. As the shares under the Scheme are awarded by Mr. Yang at his own costs, the corresponding increase in equity was recorded under "other reserve" as a shareholder's deemed contribution to the Group. During the year ended 31 March 2014, 2015 and 2016 and five months ended 31 August 2016, HK\$1,301,000, HK\$3,321,000, HK\$1,371,000 and nil respectively were charged to profit or loss.

The following table discloses the movement of the awarded shares held by the employees of the Group during Track Record Periods:

	<u>Number of shares granted to a director</u>	<u>Number of shares granted to other employees</u>	<u>Number of shares</u>
At 1 April 2013	3,600,000	11,882,000	15,482,000
Shares granted	600,000	3,496,000	4,096,000
Shares repurchased by Mr. Yang	—	(178,000)	(178,000)
At 31 March 2014	4,200,000	15,200,000	19,400,000
Shares granted	600,000	3,034,000	3,634,000
Shares repurchased by Mr. Yang	—	(410,000)	(410,000)
At 31 March 2015	4,800,000	17,824,000	22,624,000
Shares granted	—	500,000	500,000
Shares repurchased by Mr. Yang	—	(526,000)	(526,000)
At 31 March 2016 and 31 August 2016	<u>4,800,000</u>	<u>17,798,000</u>	<u>22,598,000</u>

The fair value of the shares granted based on valuation performed by Asset Appraisal Limited (“Asset Appraisal”), an independent valuer not connected with the Group, were approximately HK\$6,723,000, HK\$6,654,000 and HK\$1,371,000 for the year ended 31 March 2014, 2015 and 2016 respectively. The address of Asset Appraisal is Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. Asset Appraisal is a member of the Hong Kong Institute of Surveyors.

The following assumptions were used to calculate the fair values of shares granted:

	Year ended 31 March		
	2014	2015	2016
Market price-earnings ratio (<i>note i</i>)	5.64	5.94	8.61
Marketability discount (<i>note ii</i>)	25%	25%	15%

Notes:

- (i) The market price-earnings ratio is estimated by reference to the historical market capitalisation to the net operating income of the comparable companies.
- (ii) The marketability discount is estimated by reference to the marketability studies published by independent researchers.

26. SHARE CAPITAL

The Group

The issued share capital as at 1 April 2013, 31 March 2014 and 31 March 2015 represented the combined share capital of Microware Ltd., Microware Computer Systems and ProAct IT. The share capital as at 31 March 2016 and 31 August 2016 represented the share capital of the Company.

The Company

On 20 January 2016, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued to Microware International. On 31 March 2016, the Company has issued 119,999 shares to Microware International and the then other ultimate shareholders of Microware Ltd. for Microware BVI to acquire the entire share capital of Microware Computer System, ProAct IT, Cumulus and Microware Ltd.

27. 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.

The retirement benefit scheme 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.

28. OPERATING LEASE COMMITMENTS

As at 31 March 2014, 2015 and 2016 and 31 August 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March			As at
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2016
Within one year	2,628	6,159	2,952	3,737
After one year but within five years	—	2,901	—	2,358
	<u>2,628</u>	<u>9,060</u>	<u>2,952</u>	<u>6,095</u>

The Group leases its office premises and a warehouse from a related company, a director's quarter from Mr. Yang and other warehouses from third parties under operating lease arrangements. Leases for office premises, director's quarter and warehouses are negotiated for fixed terms ranged from 1 to 3 years during the Track Record Periods.

29. RELATED PARTY TRANSACTIONS

In addition to the amounts due from related parties as disclosed in note 22, the Group had entered into the following related party transactions:

	Year ended 31 March			Five months ended	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from related parties					
— Microware Properties	315	226	98	57	—
— Microware International	1,036	1,276	642	369	—
Consultancy fee paid to Microware Solutions Limited	1,954	1,954	1,954	814	—
Rental paid to Microware Properties	4,627	4,957	5,288	2,203	2,203
Rental paid to Mr. Yang	—	—	—	—	380

During the five months ended 31 August 2016, the Group, as tenant, and Mr. Yang, as landlord, entered into a tenancy agreement in respect of a residential property which is provided to Mr. Chu as the director's quarter.

Mr. Yang is the controlling shareholder of all of these related parties.

Total operating lease commitment of the Group in respect of the rental of office with Microware Properties amounted to HK\$2,314,000, HK\$7,932,000, HK\$2,644,000, and HK\$1,911,000 as at 31 March 2014, 2015 and 2016 and 31 August 2016 respectively and rental of director's quarter with Mr. Yang amounted to HK\$3,040,000 as at 31 August 2016.

Compensation of key management personnel

The remuneration of the director and other members of key management during the Track Record Periods were as follows:

	Year ended 31 March			Five months ended 31 August	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Short-term benefits	9,011	9,382	9,632	3,270	4,236
Share based payments	443	1,014	548	—	—
Post-employment benefits	162	175	178	74	83
	<u>9,616</u>	<u>10,571</u>	<u>10,358</u>	<u>3,344</u>	<u>4,319</u>

30. MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non- controlling interests		
	as at 31 March			as at 31 March			as at 31 March		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Microware Ltd.	16.2%	18.8%	—*	<u>5,672</u>	<u>6,439</u>	<u>6,342</u>	<u>26,949</u>	<u>29,435</u>	<u>—</u>

* Microware Ltd. became a wholly-owned subsidiary upon completion of the Group Reorganisation.

Summarised financial information in respect of Microware Ltd. and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,082,083	1,064,152	1,075,491
Other income and other gains and losses, net	4,685	3,399	2,760
Expenses	(1,044,726)	(1,026,204)	(1,037,462)
Taxation	(7,027)	(7,279)	(7,055)
	<u>35,015</u>	<u>34,068</u>	<u>33,734</u>
Profit and total comprehensive income for the year			
Profit and total comprehensive income for the year attributable to:			
—owners of the Company	29,343	27,629	27,392
—non-controlling interests	5,672	6,439	6,342
	<u>35,015</u>	<u>34,068</u>	<u>33,734</u>
	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	12,823	3,144	4,769
Current assets	377,644	399,864	341,558
Current liabilities	(220,862)	(244,962)	(234,176)
Non-current liabilities	(3,252)	(2,304)	(5,304)
	<u>166,353</u>	<u>155,742</u>	<u>106,847</u>
Equity attributable to owners of the Company	139,404	126,307	106,847
Non-controlling interests	26,949	29,435	—
	<u>166,353</u>	<u>155,742</u>	<u>106,847</u>
	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net cash inflow (outflow) from operating activities	68,699	48,593	(11,758)
Net cash (outflow) inflow from investing activities	(81,343)	18,358	98,067
Net cash outflow from financing activities	(36,298)	(48,000)	(84,000)
	<u>(48,942)</u>	<u>18,951</u>	<u>2,309</u>
Net cash (outflow) inflow			
Dividend paid to			
—owners of the Company	30,168	38,928	68,208
—non-controlling interests	5,832	9,072	15,792
	<u>36,000</u>	<u>48,000</u>	<u>84,000</u>

31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) with certain banks. The following recognised financial asset and financial liabilities are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

At 31 March 2014

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position		
		Financial instrument HK\$'000	Cash collateral	
			received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
—Bank balances	51,954	—	—	51,954
—Structured deposits	28,699	—	—	28,699
—Derivative financial instruments	110	—	—	110
	<u>80,763</u>	<u>—</u>	<u>—</u>	<u>80,763</u>

At 31 March 2015

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position		
		Financial instrument HK\$'000	Cash collateral	
			received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
—Bank balances	56,827	(94)	—	56,733
—Structured deposits	8,177	—	—	8,177
	<u>65,004</u>	<u>(94)</u>	<u>—</u>	<u>64,910</u>
Recognised financial liabilities:				
—Derivative financial instruments	(94)	—	94	—

At 31 March 2016

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position			
		Financial instrument HK\$'000	Cash collateral received/ pledged		Net amount HK\$'000
			HK\$'000	HK\$'000	
Recognised financial assets:					
—Bank balances	59,933	(930)	—	59,003	
Recognised financial liabilities:					
—Derivative financial instruments	(930)	—	930	—	

At 31 August 2016

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position			
		Financial instrument HK\$'000	Cash collateral received/ pledged		Net amount HK\$'000
			HK\$'000	HK\$'000	
Recognised financial assets:					
—Bank balances	34,251	(304)	—	33,947	
Recognised financial liabilities:					
—Derivative financial instruments	(304)	—	304	—	

32. CONTINGENT LIABILITIES

As at 31 March 2014, 2015 and 2016 and 31 August 2016, the performance guarantee of the Group of approximately HK\$16,256,000, HK\$14,346,000, HK\$18,385,000 and HK\$15,963,000 respectively were given by banks 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 fail to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will released upon completion of the contract works.

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.

33. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

34. RESERVE OF THE COMPANY

	Accumulated losses
	HK\$'000
At 20 January 2016 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(2,455)</u>
At 31 March 2016	(2,455)
Loss and total comprehensive expense for the period	<u>(9,201)</u>
At 31 August 2016	<u><u>(11,656)</u></u>

35. NON-CASH TRANSACTIONS

Out of total dividend declared during the year ended 31 March 2014, 2015 and 2016 of HK\$36,000,000, HK\$48,000,000 and HK\$84,000,000, amounts of HK\$29,993,000, HK\$38,657,000 and HK\$33,825,000 entitled by Microware International and Mr. Yang were settled by setting off with amounts due from Microware International.

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group and detailed as below.

On 15 February 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed “Written resolutions of our shareholders passed on 15 February 2017” in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased to HK\$50,000,000 by the creation of 4,961,000,000 new shares of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. 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; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the placing of the Company’s shares, the directors of the Company were authorised to capitalise the amount of HK\$2,398,800 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 239,880,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 15 February 2017.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company and its subsidiaries in respect of any period subsequent to 31 August 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 March 2016 and the five months ended 31 August 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), 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

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 paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2016 as if the Global Offering had taken place on 31 August 2016.

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 attributable to owners of the Company had the Global Offering been completed on 31 August 2016 or at any future dates.

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 the owners of the Company as at 31 August 2016 as shown in the Accountants' Report 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 August 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on Offer Price of HK\$1.20 per Share	<u>109,581</u>	<u>56,010</u>	<u>165,591</u>	<u>0.55</u>
Based on Offer Price of HK\$1.46 per Share	<u>109,581</u>	<u>70,830</u>	<u>180,411</u>	<u>0.60</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the 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 issue of the Offer Shares pursuant to the Global Offering are based on 60,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$1.20 and HK\$1.46 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related expenses incurred and to be incurred by the Company since 1 September 2016.

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 Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme 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 Allot and Issue New Shares" or the section headed "General Mandate to Repurchase Shares".

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme 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 Allot and Issue New 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 as at 31 August 2016 to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' 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****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF MICROWARE GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Microware 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 net tangible assets as at 31 August 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 24 February 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 global offering of the shares of the Company (the "Global Offering") on the Group's financial position as at 31 August 2016 as if the Global Offering had taken place at 31 August 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 March 2016 and the five months ended 31 August 2016, on which an accountants' 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (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 behaviour.

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 Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 February 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 January, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its memorandum of association (the “**Memorandum**”) and its articles of association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 15 February 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares carrying the same rights.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalment. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the 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), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence

of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director,

officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed equally amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 16 February, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings

to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 January 2016 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 July 2016. We have established a principal place of business in Hong Kong at 1/F, Century Centre, 44–46 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Ms. Chan Wai Hing Gloria who resides at Flat D, 19/F, Tower 1, South Horizons, Apleichau, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our authorised share capital as at the date of our incorporation was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On 20 January 2016, one Share was allotted and issued to the initial subscriber and such Share was transferred to Microware International on the same day. On 31 March 2016, an additional 119,999 Shares were allotted and issued as to 97,401 Shares to Microware International, 4,800 Shares to Mr. Chu and 17,798 Shares to the Employee Shareholders on the same day. On 24 May 2016, Microware International transferred 15,000 Shares to Mr. Yang.

Pursuant to the written resolutions of our Shareholders passed on 15 February 2017, our authorised share capital was increased from HK\$390,000 to HK\$50,000,000 by the creation of additional 4,961,000,000 Shares.

Immediately following the completion of the Global Offering and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$3,000,000 divided into 300,000,000 Shares of HK\$0.01 each, all fully paid or credited as fully paid and 4,700,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “3. Resolutions in writing of the Shareholders of our Company passed on 15 February 2017” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on 15 February 2017

- (i) Pursuant to written resolutions of the Shareholders of our Company passed on 15 February 2017:
 - (a) we approved and adopted the Memorandum of Association with immediate effect;
 - (b) we approved and conditionally adopted the Articles of Association which will become effective from the Listing Date;
 - (c) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,961,000,000 Shares;
 - (d) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Offer Size Adjustment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other Information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

- (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$2,398,800 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 239,880,000 Shares, such Shares to be allotted and issued to our Shareholder(s) as of the date of the passing of the resolution on a pro rata basis.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and in the section headed “History, Reorganisation and corporate structure”, our Company has no other subsidiaries.

Save as disclosed in this prospectus, there are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in 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 of our Company on 15 February 2017, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next

annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this prospectus in the event that the Buyback Mandate is exercised in full.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 300,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 30,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 30,000,000

Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 72.1% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus that are or may be material:







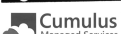


- (a) an instrument of transfer and the bought and sold notes both dated 19 January 2016 entered into between Microware Ltd. as transferor and Mr. Yang as transferee regarding the transfer of 10,000 ordinary shares in Microware USA from Microware Ltd. to Mr. Yang at a consideration of HK\$1.00;
- (b) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Microware International as transferor and Microware BVI as transferee regarding the transfer of 9,999 shares in Microware Computer Systems from Microware International to Microware BVI at a consideration of HK\$9,999.00 which was satisfied by our Company allotting and issuing one Share to Microware International;
- (c) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Mr. Yang as transferor and Microware BVI as transferee regarding the transfer of one share in Microware Computer Systems from Mr. Yang to Microware BVI at a consideration of HK\$1.00 which was satisfied by our Company allotting and issuing one Share to Microware International at the instruction and direction by Mr. Yang;
- (d) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Microware International as transferor and Microware BVI as transferee regarding the transfer of 100,000 shares in ProAct IT from Microware International to Microware BVI at a consideration of HK\$7,900.52 which was satisfied by our Company allotting and issuing one Share to Microware International;

- (e) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Microware Ltd. as transferor and Microware BVI as transferee regarding the transfer of one share in Cumulus from Microware Ltd. to Microware BVI at a consideration of HK\$1.00 which was satisfied by our Company allotting and issuing one Share to Microware International at the instruction and direction of Microware Ltd.;
- (f) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Microware International as transferor and Microware BVI as transferee regarding the transfer of 96,000,000 shares in Microware Ltd. from Microware International to Microware BVI at a consideration of HK\$77,280,000.00 which was satisfied by our Company allotting and issuing 95,995 Shares to Microware International;
- (g) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Mr. Yang as transferor and Microware BVI as transferee regarding the transfer of 642,000 shares in Microware Ltd. from Mr. Yang to Microware BVI at a consideration of HK\$516,810.00 which was satisfied by our Company allotting and issuing 642 Shares to Microware International at the instruction and direction by Mr. Yang;
- (h) an instrument of transfer and the bought and sold notes both dated 31 March 2016 entered into between Microware Investment as transferor and Microware BVI as transferee regarding the transfer of 23,358,000 shares in Microware Ltd. from Microware Investment to Microware BVI at a consideration of HK\$18,803,190.00 which was satisfied by our Company allotting and issuing 4,800 Shares to Mr. Chu, 760 Shares to Microware International and 17,798 Shares to all the shareholders of Microware Investment (excluding Mr. Chu and Mr. Yang), all at the instructions and directions of Microware Investment;
- (i) the Deed of Indemnity;
- (j) the Deed of Non-Competition; and
- (k) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
 MICROWARE	300354834	9, 35, 37, 38,	Microware	Hong Kong	17 January 2005	16 January 2025
 MICROWARE		41, 42	Computer Systems			
	303248992	9, 16, 35, 37, 38, 41, 42	Microware Computer Systems	Hong Kong	24 December 2014	23 December 2024
Cumulus  Cumulus	303249009AB	16, 41	Microware Computer Systems	Hong Kong	24 December 2014	23 December 2024
  	303249018AB	16, 41	Microware Computer Systems	Hong Kong	24 December 2014	23 December 2024
  Cumulus Managed Services	303249027AB	16, 41	Microware Computer Systems	Hong Kong	24 December 2014	23 December 2024

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

<u>Domain name</u>	<u>Name of Registered Proprietor</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
Microware.com.hk	Microware Ltd.	29 May 1996	1 September 2017
Microware.hk	Microware Ltd.	8 April 2004	11 May 2020
Proactit.com.hk	ProAct IT	6 May 2013	13 May 2020
Microware.hk.cn	Microware Ltd.	10 January 2011	10 January 2018
Cumulus.ms	Microware Ltd.	18 August 2016	18 August 2017
Microwaresolution.com	Network Solutions, LLC. (Note)	20 June 2002	20 June 2017

Note: Network Solutions, LLC. is the agent of Microware Ltd. and it holds the domain name on behalf of Microware Ltd..

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the

register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) *Interest in our Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Mr. Yang	Interest of a controlled corporation ⁽²⁾	164,804,000 (L)	54.9%
	Beneficial owner	30,000,000 (L)	10.0%
Mr. Chu	Beneficial owner	9,600,000 (L)	3.2%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Microware International is beneficially and wholly owned by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International

(ii) *Interest in associated corporations of our Company*

<u>Name</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Interest in shares</u>	<u>Percentage holding</u>
Mr. Yang	Microware International	Beneficial owner	50,000	100%

(b) *Particulars of service agreements and letters of appointment*

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of our executive Directors and non-executive Director is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the year ended 31 March 2016, the aggregate remuneration (including fees, salaries, bonus, share-

based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our Directors was approximately HK\$3,460,000. For details, please refer to note 13 of the accountant's report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK\$120,000 per annum to each of Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending 31 March 2017 is estimated to be no more than HK\$5,000,000.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Offer Size Adjustment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Mr. Yang	Interest of a controlled corporation ⁽²⁾	164,804,000 (L)	54.9%
	Beneficial owner	30,000,000 (L)	10.0%
Microware International ⁽²⁾	Beneficial owner	164,804,000 (L)	54.9%

Note:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Microware International is beneficially and wholly owned by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “— D. Other information — 9. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;
- (c) 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 taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

- (f) none of the experts referred to under the paragraph headed “— D. Other information — 9. Qualification 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; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 15 February 2017.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 30,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option as may be determined by the Board;and

- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of Options*

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules,

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our

Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he or he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 30,000,000 Shares in total.

3. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (i) of the section headed “B. — Information about our business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, any claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and any relocation costs incurred and other consequential loss as a result of relocation of our office arising from the non-compliance incident as detailed in the section headed “Business — Legal proceedings and compliance — Non-compliance with government lease, the deed of mutual covenant and the Buildings Ordinance” in this prospectus.

4. Litigation

Save as disclosed in the section headed “Business — Legal proceedings and compliance — Claims settled, pending or threatened against our Group” as at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

5. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$5,000,000 and are payable by our Company.

6. Preliminary Expenses

The preliminary expenses incurred and paid by our Company were approximately HK\$85,800.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Innovax Capital Limited	Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Clay Huen	Hong Kong barrister-at-law
Ipsos Limited	Industry consultant
Asset Appraisal Limited	Independent property valuer

10. Consents of Experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the persons named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. 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.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2016 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;
- (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures;
- (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

14. Bilingual Prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW AND GREEN** Application Forms;
- (b) the written consents referred to in the section headed “D. Other information — 10. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “B. Information about our business — 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 Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the financial years ended 31 March 2014, 31 March 2015, 31 March 2016 and the five month ended 31 August 2016;
- (e) the Hong Kong legal opinions issued by Mr. Clay Huen, a barrister-at-law in Hong Kong and our special legal counsel in respect of certain statements referred to this prospectus;
- (f) the letter of advice from Conyers Dill & Pearman, our Cayman legal adviser, summarising certain aspects of Cayman company law referred to in “Summary of the constitution of the Company and Cayman company law” in Appendix III to this prospectus;
- (g) the opinions on market rent issued by Asset Appraisal Limited in respect of a residential property and a car parking space, and an office space leased by our Group in Hong Kong;
- (h) the Ipsos Report;
- (i) the Cayman Companies Law;

- (j) the material contracts referred to in the section headed “B. Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the service agreements and letters of appointment with each of the Directors referred to in the section headed “C. Further information about Directors and substantial shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (l) the written consents referred to in the section headed “D. Other information — 10. Consents of experts” in Appendix IV to this prospectus; and
- (m) the rules of the Share Option Scheme.

