



**WINSON HOLDINGS HONG KONG LIMITED**

**永順控股香港有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8421

# SHARE OFFER



Sponsor



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

Joint Bookrunners

**平安證券有限公司**  
Ping An Securities Limited



# IMPORTANT

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



## WINSON HOLDINGS HONG KONG LIMITED 永順控股香港有限公司 (incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	: 150,000,000 Shares
Number of Placing Shares	: 135,000,000 Shares (subject to reallocation)
Number of Public Offer Shares	: 15,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 each
Stock code	: 8421

#### Sponsor



大有融資有限公司  
MESSIS CAPITAL LIMITED

#### Joint Bookrunners

平安證券有限公司  
Ping An Securities Limited



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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on or about 8 March 2017 or such later date as may be agreed between the parties. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share, unless otherwise announced. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.winsongroup.hk](http://www.winsongroup.hk).

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

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for themselves and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreements, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) 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 or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

28 February 2017

## CHARACTERISTICS OF GEM

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

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

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

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

If there is any change in the following expected timetable, we will issue an announcement on the website of the Company at [www.winsongroup.hk](http://www.winsongroup.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

2017

Application lists for Public Offer open <sup>(Note 2)</sup> .....	11:45 a.m. on Friday, 3 March
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms.....	12:00 noon on Friday, 3 March
Application lists for Public Offer close <sup>(Note 2)</sup> .....	12:00 noon on Friday, 3 March
Expected Price Determination Date on or about <sup>(Note 3)</sup> .....	Wednesday, 8 March
Announcement of the final Offer Price, indication of the level of interest in the Placing, the level of applications of the Public Offer, the basis of allocation of the Public Offer Shares to be published in the Company's website at <a href="http://www.winsongroup.hk">www.winsongroup.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before .....	Wednesday, 15 March
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the Company's website at <a href="http://www.winsongroup.hk">www.winsongroup.hk</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (for further details, please see the section headed "How to apply for Public Offer Shares — 8. Publication of results" of this prospectus) on or before .....	Wednesday, 15 March
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function from.....	Wednesday, 15 March
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before <sup>(Note 5, Note 6, Note 7 &amp; Note 8)</sup> .....	Wednesday, 15 March
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(Note 4, Note 5, Note 6, Note 7 &amp; Note 9)</sup> .....	Wednesday, 15 March
Dealings in Shares on GEM expected to commence at 9:00 a.m. on.....	Thursday, 16 March

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

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 March 2017, the application lists will not open on that day. For further details, please see the section headed “How to apply for Public Offer Shares — 7. Effect of bad weather on the opening of the application lists” in this prospectus.
3. The Price Determination Date is expected to be on or about Wednesday, 8 March 2017. If, for any reason, the Offer Price is not agreed on or before Tuesday, 14 March 2017 between the Company and the Joint Bookrunners (on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
4. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 15 March 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, 16 March 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
5. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and have provided all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 March 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

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

6. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
7. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for Public Offer Shares — 11. Despatch/collection of share certificates and refund monies” in this prospectus.
8. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.50 per Offer Share.
9. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting 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 their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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

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### **IMPORTANT NOTICE TO INVESTORS**

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company, the Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents on the Company's website at [www.winsongroup.hk](http://www.winsongroup.hk) do not form part of this prospectus.*

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## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### BUSINESS OVERVIEW

The Group is a Hong Kong-based service provider specialising in environmental hygiene services and airline catering support services in Hong Kong. According to the Frost & Sullivan Report, the Group had approximately 3.8% market share in terms of the total environmental hygiene service industry revenue for the year of 2015. Meanwhile, the Group also had approximately 34.8% market share in airline catering support service market in 2015. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the total revenue of the Group were approximately HK\$369.2 million, HK\$449.8 million and HK\$191.4 million, respectively, while the profit for the year/period were approximately HK\$14.3 million, HK\$18.8 million and HK\$5.3 million, respectively. The Directors believe that the Group achieved growth in revenue and profit mainly by expansion of scope of services and client base and increased revenue from customers as the Group maintained quality of services and competitive edge in the industry.

As an experienced service provider, the Group provides mainly two kinds of services, namely environmental hygiene services and airline catering support services. The Group started off as an environmental hygiene service provider in 1983 via the incorporation of Winson Cleaning. In 1993, the Group set up Winson Pest Control as a separate pest management service provider. The Directors are of the view that pest management services are value-added services provided to customers who require environmental hygiene services. In order to diversify the Group's business, the Group has commenced the provision of airline catering support services which involve, among others, handling, packing, checking and transporting food or non-food items as well as meals plating and tray-setting services for the airline catering operators in Hong Kong since 2013. Over the years, the Group has grown into one of the major comprehensive service providers in Hong Kong employing 2,585 full-time and part-time staff members as at the Latest Practicable Date, serving 848 customers including owners and management companies of office buildings, commercial and industrial centres, residential premises, as well as mass transit transportation operator, airline catering operators, Hong Kong Government and tenants of various premises. In addition, the Group's vehicle fleet comprised 29 vehicles as at the Latest Practicable Date, including vans, trucks, aerial platform vehicle, hook-lift trucks, private cars and water wagons which help the Group in the provision of environmental hygiene services.

## SUMMARY

The table below sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Environmental hygiene services	344,537	93.3	415,275	92.3	167,115	92.2	177,026	92.5
Airline catering support services	24,675	6.7	34,483	7.7	14,107	7.8	14,362	7.5
<b>Total</b>	<b>369,212</b>	<b>100.0</b>	<b>449,758</b>	<b>100.0</b>	<b>181,222</b>	<b>100.0</b>	<b>191,388</b>	<b>100.0</b>

The table below sets forth a breakdown of the Group's revenue during the Track Record Period by private and public sectors:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sectors (Note 1)	233,986	63.4	282,777	62.9	116,541	64.3	118,933	62.1
Public sectors (Note 2)	135,226	36.6	166,981	37.1	64,681	35.7	72,455	37.9
<b>Total</b>	<b>369,212</b>	<b>100.0</b>	<b>449,758</b>	<b>100.0</b>	<b>181,222</b>	<b>100.0</b>	<b>191,388</b>	<b>100.0</b>

Notes:

1. Private sectors mainly represent privately-owned companies.
2. Public sectors mainly consist of departments of the Hong Kong Government, Hong Kong authorities and companies or entities with substantial government investment or influence.

The following table sets forth the breakdown of revenue by types of contracts:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tender Contracts	294,658	79.8	319,585	71.1	163,043	90.0	169,628	88.6
Quotations	74,554	20.2	130,173	28.9	18,179	10.0	21,760	11.4
<b>Total</b>	<b>369,212</b>	<b>100.0</b>	<b>449,758</b>	<b>100.0</b>	<b>181,222</b>	<b>100.0</b>	<b>191,388</b>	<b>100.0</b>

## SUMMARY

The Group also implemented procedures for maintaining a high standard of occupational health and safety, environment and quality control. The Group has been assessed and certified by SGS as meeting the requirements of ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Strengths and abilities of the Group are evidenced by a proven track record as the Group has maintained a long term relationship with its major customers.

### TENDER SUCCESS RATE

The table below sets out the number of projects the Group has tendered for and the number of projects the Group has been awarded during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
			<b>2016</b>
Total number of projects tendered for	275	231	94
Total number of projects awarded	81	54	20
Tender success rate	29.5%	23.4%	21.3%

Tender success rate for the year ended 31 March 2016 and the five months ended 31 August 2016 was lower than the tender success rate for the year ended 31 March 2015 principally because the Group was occupied with environmental hygiene services and airline catering support projects which was close to its full service capacity, i.e a new major customer introduced in 2015 and became one of the top five customers during the year ended 31 March 2016 and five months ended 31 August 2016. Nevertheless, it was the Group's strategy to be responsive to customers' tender invitations and submit tenders to existing customers in order to maintain business relationship with existing customers and maintain the Group's presence in the market. Under such circumstances, taking into account the availability of manpower resources, servicing capacity, the number of projects the Group was working on at that time, expected increase in cost of materials, labour costs as well as complexity and length of contracts the Group tendered for, the Group had priced its tenders with a higher profit margin which may cause the Group's tender price to be less competitive than the tenders submitted by competitors during the year ended 31 March 2016 and five months ended 31 August 2016.

### CUSTOMERS AND SUPPLIERS/SUB-CONTRACTORS

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group's top five customers accounted for approximately 62.4%, 65.9% and 66.6% of the total revenue, respectively, while the percentage of the total revenue attributable to the largest customer amounted to approximately 33.8%, 37.3% and 37.9%, respectively. The top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all. Since the Group has established a relatively broad customer base ranging from various government departments in Hong Kong and subsidiaries of multi-national companies to tenants of various premises, the Directors consider that during the Track Record Period, the Group was not dependent on any single customer. Additional reasons of not reliant on any single customer are set out in the section headed "Business — Customers — Customer concentration" in this prospectus.

## SUMMARY

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group's top five suppliers accounted for approximately 89.5%, 83.0% and 84.0% of the total purchases, respectively, while the percentage of the total purchases attributable to the largest supplier amounted to approximately 45.2%, 54.9% and 59.7%, respectively. For each of the Track Record Period, the Group's top five sub-contractors accounted for approximately 82.7%, 85.4% and 82.2% of the total sub-contracting charges, respectively. Despite the concentration of suppliers, the Directors consider that the Group is not reliant on any single supplier for reasons set out in the section headed "Business — Suppliers and sub-contractors — Suppliers concentration" in this prospectus.

### HIGHLIGHT OF SERVICE SCOPE

<b>Business segment</b>	<b>Scope of services</b>
Environmental hygiene services	(i) public area and office cleaning (ii) waste disposal (iii) external curtain wall and window cleaning (iv) marble floor maintenance (v) pest management services
Airline catering support services	Including handling, packing, checking and transporting food or non-food items as well as meals plating and tray-setting services

### COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the total revenue of environmental hygiene services industry in Hong Kong grew steadily at a CAGR of approximately 9.1% from approximately HK\$7,740.9 million in 2011 to approximately HK\$10,986.2 million in 2015, and market size of environmental hygiene services is expected to further expand to approximately HK\$15,606.3 million in 2020, representing a CAGR of approximately 7.1% from 2016 to 2020. The Group ranked 6th among environmental hygiene service providers in Hong Kong in terms of revenue and had approximately 3.8% market share in terms of total industry revenue for the year of 2015. Meanwhile, the market size of airline catering support services in Hong Kong grew at a CAGR of approximately 7.6% from approximately HK\$73.7 million in 2011 to approximately HK\$99.0 million in 2015, and the Group had approximately 34.8% market share in 2015 in terms of industry revenue. The market size of airline catering support service expects a further growth to approximately HK\$144.8 million in 2020, representing a CAGR of approximately 7.8% from 2016 to 2020.

The entry barriers of the environmental hygiene service industry is generally low and the market is highly fragmented with different environmental hygiene service providers specialising in different services, and most of them are providing limited scope of services to customers in Hong Kong. In 2015, it was estimated that there were approximately 1,140 environmental hygiene service providers and about 81,880 professionals and workers in the environmental hygiene service industry in Hong Kong. According to the Frost & Sullivan Report, about 82.4% of the total number of environmental hygiene service providers in Hong Kong are small-scale service providers with less than 50 workers in 2014. The

## SUMMARY

Directors do not consider these small scale service providers will impose material competition to the Group as they may not have the financial strength, experience, market reputation, and range of services offered or possess the necessary equipment and technical knowledge that is comparable to that of the Group. The top 10 environmental service providers dominated the industry with over 59.2% of the market share in 2015.

### COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) well-established presence in the environmental hygiene service and airline catering support service industry in Hong Kong; (ii) established business relationships with reputable customers which is beneficial to the Group in exploring new business opportunities; (iii) the Group has a long history with proven track record and established brand “”; (iv) the Group has a well-qualified and experienced management team; and (v) the Group has a team of well-trained staff to provide quality services to customers. Please refer to the section headed “Business — Competitive strengths” in this prospectus for further details.

### FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the combined statements of comprehensive income of the Group:

#### Results of operations

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Revenue	369,212	449,758	181,222	191,388
Gross profit	56,130	68,476	27,770	28,153
Profit before income tax	17,912	23,586	11,526	7,315
Profit for the year and total comprehensive income for the year	14,331	18,814	9,408	5,304

The Group’s revenue and gross profit increased by approximately 21.8% and 22.0% respectively from 2015 to 2016 which was mainly attributable to (i) the increase in services rendered in office and commercial centres which recorded an increase in revenue of approximately HK\$52.5 million or 79.2% and (ii) the expanded customer base of airline catering support services which led to a revenue increase of approximately HK\$9.8 million or 39.7% in airline catering support services segment. The Directors are of the view that the Group maintained a stable gross profit margin mainly attributable to its pricing strategies in tendering process and cost control in delivery of services. The increase in the Group’s profit before income tax from 2015 to 2016 of approximately 31.7% was mainly attributable to the aforementioned increased revenue and gross profit and partly offset by the increase in general operating expenses mainly due to the non-recurring Listing expenses. The increase in the Group’s profit for the

## SUMMARY

year of approximately 31.3% for the year from 2015 to 2016 was mainly attributable to the reasons stated above and partly offset by the increase in income tax expenses of HK\$1.2 million or 33.3% for the year ended 31 March 2016.

The Group's revenue and gross profit increased by approximately 5.6% and 1.4% for the five months ended 31 August 2016, as compared to the corresponding period of 2015. Such increase was mainly due to an increase in the revenue derived from environmental hygiene services segment and the Group recorded increase in revenue and gross profit of approximately 5.9% and 3.9%, respectively in such segment. The Group recorded a decrease in profit before income tax of approximately HK\$4.2 million for the five months ended 31 August 2016 mainly attributable to the increase in recognised Listing expenses from approximately HK\$0.4 million to approximately HK\$4.0 million. As a result, the Group's profit before tax for the period also decreased by approximately HK\$4.1 million for the five months ended 31 August 2016.

The following table below sets forth the gross profit and gross profit margin of the Group's segment during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2015			2016		
	Gross profit	As % of total gross profit	Gross profit margin	Gross profit	As % of total gross profit	Gross profit margin	Gross profit	As % of total gross profit	Gross profit margin	Gross profit	As % of total gross profit	Gross profit margin
HK\$'000		%	HK\$'000		%	HK\$'000		%	HK\$'000		%	
Environmental hygiene services	51,734	92.2	15.0	62,284	91.0	15.0	24,953	89.9	14.9	25,927	92.1	14.7
Airline catering support services	4,396	7.8	17.8	6,192	9.0	18.0	2,817	10.1	20.0	2,226	7.9	15.5
<b>Total</b>	<u>56,130</u>	<u>100.0</u>	15.2	<u>68,476</u>	<u>100.0</u>	15.2	<u>27,770</u>	<u>100.0</u>	15.3	<u>28,153</u>	<u>100.0</u>	14.7

(unaudited)

Gross profit of the Group increased from approximately HK\$56.1 million for the year ended 31 March 2015 to approximately HK\$68.5 million for the year ended 31 March 2016 which was in line with expanded revenue of the Group, and the Group maintained a gross profit margin of approximately 15.2% for 2015 and 2016.

For the five months ended 31 August 2015 and 2016, gross profit of the Group increased from approximately HK\$27.8 million to HK\$28.2 million, while the gross profit margin of the Group decreased slightly from approximately 15.3% to 14.7%. Such decrease was mainly attributable to (i) the decrease in gross profit margin of airline catering support services due to the general increase in base salary of operation workers in airline catering support services since August 2015; (ii) the increase in sub-contracting charges for the provision of environmental hygiene services.

## SUMMARY

The following table sets forth a breakdown of the Group's cost of services during the Track Record Period by nature:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Direct labour costs	258,138	82.4	292,704	76.8	120,585	78.6	120,922	74.1
Manpower supplier charges	35,736	11.4	65,336	17.1	23,541	15.3	32,481	19.9
Sub-contracting charges	6,784	2.2	9,044	2.4	3,442	2.2	4,016	2.5
Consumables	12,419	4.0	13,510	3.5	5,499	3.6	5,512	3.4
Miscellaneous goods and services	5	—	688	0.2	385	0.3	304	0.1
<b>Total</b>	<u>313,082</u>	<u>100.0</u>	<u>381,282</u>	<u>100.0</u>	<u>153,452</u>	<u>100.0</u>	<u>163,235</u>	<u>100.0</u>

Total cost of services increased from approximately HK\$313.1 million for the year ended 31 March 2015 to approximately HK\$381.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$68.2 million or 21.8%, which was in line with the increase in revenue of approximately 21.8%, thus gross profit margin of the Group maintained at the same level of approximately 15.2% for each of the two years ended 31 March 2015 and 2016.

Total cost of services increased from approximately HK\$153.5 million for the five months ended 31 August 2015 to HK\$163.2 million for the five months ended 31 August 2016, representing an increase of approximately HK\$9.8 million or 6.4%, which was in line with the increase in revenue of approximately 5.6%, and gross profit margin of the Group slightly decreased from approximately 15.3% to 14.7% for the corresponding period.

## SUMMARY

The table below sets forth selected information from the combined statements of financial position of the Group:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Current assets	89,979	102,065	106,044
Current liabilities	111,101	102,026	99,599
Net current (liabilities)/assets	(21,122)	39	6,445
Non-current assets	38,377	37,301	36,746
Non-current liabilities	7,313	8,584	9,131
Total equity	9,942	28,756	34,060

The equity of the Group increased from approximately HK\$9.9 million as at 31 March 2015 to approximately HK\$28.8 million as at 31 March 2016 which primarily resulted from the aforementioned increase in profit for the year and no dividend was declared during the year ended 31 March 2016. The Group improved its financial position from net current liabilities of approximately HK\$21.1 million as at 31 March 2015 to net current assets of approximately HK\$39,000 as at 31 March 2016, mainly due to (i) increase in trade receivables of approximately HK\$9.1 million arising from expanded revenue, (ii) decrease in bank borrowings of approximately HK\$14.5 million; and (iii) partly offset by an increase in trade payables of approximately HK\$4.2 million arising from increase in purchases for 2016. As confirmed by the Directors, the net current liabilities of approximately HK\$21.1 million as at 31 March 2015 was mainly attributable to the distribution of dividend of approximately HK\$41.1 million to the then shareholders of the subsidiaries which was settled by off-setting against the then inter-company balance and thus resulted in a net current liabilities position as at 31 March 2015.

As at 31 August 2016, the net current assets of the Group further increased to approximately HK\$6.4 million mainly attributable to: (i) the increase in trade receivables of approximately HK\$6.8 million; (ii) the decrease in bank borrowings of approximately HK\$4.8 million; and (iii) partly offset by the decrease in cash and cash equivalents of approximately HK\$2.1 million and increase in tax payables of approximately HK\$1.3 million.

Please refer to the section headed “Financial information — Net current (liabilities)/assets” in this prospectus for the details.

## SUMMARY

The table below sets forth selected information from the combined statements of cash flows of the Group:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Operating profit before working capital changes	23,482	29,156	13,659	9,829
Net cash generated from operating activities	13,402	19,432	8,383	3,622
Net cash used in investing activities	(2,874)	(2,116)	(1,380)	(887)
Net cash used in financing activities	(21,270)	(12,392)	(13,056)	(4,799)
Net (decrease)/increase in cash and cash equivalents	(10,742)	4,924	(6,053)	(2,064)
Cash and cash equivalent at beginning of the year	<u>28,228</u>	<u>17,486</u>	<u>17,486</u>	<u>22,410</u>
Cash and cash equivalent at the end of the year	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>
Analysis of the balance of cash and cash equivalents				
Cash and cash equivalents	20,041	22,410	11,433	20,346
Bank overdraft	<u>(2,555)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>

The operating profit before working capital changes increased from approximately HK\$23.5 million for the year ended 31 March 2015 to approximately HK\$29.2 million for the year ended 31 March 2016. Such increase was due to the increase in profit before income tax expense from approximately HK\$17.9 million for the year ended 31 March 2015 to approximately HK\$23.6 million for the year ended 31 March 2016 as a result of increase in revenue and gross profit.

The operating profit before working capital changes decreased from approximately HK\$13.7 million for the five months ended 31 August 2015 to approximately HK\$9.8 million for the five months ended 31 August 2016. Such decrease was due to the decrease in profit before income tax expense from approximately HK\$11.5 million to HK\$7.3 million for the five months ended 31 August 2016 mainly as a result of increase in recognised non-recurring Listing expenses.

The cash and cash equivalents, comprising bank balances and cash, increased from approximately HK\$17.5 million as at 31 March 2015 to approximately HK\$22.4 million as at 31 March 2016. The increase was mainly attributable to net cash generated from operating activities of approximately HK\$19.4 million including operating profit before working capital changes of approximately HK\$29.2

## SUMMARY

million and partly offset by increase in trade receivables of approximately HK\$9.2 million for the year ended 31 March 2016. The balance of cash and cash equivalent of the Group decreased to approximately HK\$20.3 million as at 31 August 2016, mainly attributable to the net cash used in financing activities for repayment of bank borrowings.

Please refer to the section headed “Financial information — Cash flows” in this prospectus for further discussion and analysis of the Group’s cash flow information.

### **Time lags of cash flow**

In respect of the Group’s business, there are often time lags between making payments to the Group’s employees and receiving payments from its customers. The Group pays salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group also issues invoices to its customers typically at the end of each month in respect of the services provided during the month. The credit period granted to the Group’s major customer in general ranges from 30 days to 75 days. However, there is no assurance that the customers will make payment on time and in full. If the Group fails to properly manage its exposure from such cash flow mismatch or if the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group’s cash flows and financial position could be materially and adversely affected. The Directors confirmed that during the Track Record Period, the Group did not experience any material time lags of cash flow by utilising the banking facilities available to the Group. By applying net proceeds of approximately HK\$23.0 million from the Share Offer (based on the mid-point of the indicative Offer Price range), the Directors consider that the Group will have sufficient financial resources to undertake more Tender Contracts to capture the growth in market size of environmental hygiene services industry and airline catering support services in Hong Kong and reduce the reliance on debt financing so as to lower or maintain its gearing ratio and have better control on its interest expenses.

### **Working capital**

During the Track Record Period, the Group met its working capital and other liquidity requirements principally from cash from operations, bank borrowings and funds from related parties. The unutilised banking facilities amounted to approximately HK\$48.4 million, HK\$50.7 million and HK\$47.0 million as at 31 March 2016, 31 August 2016 and 31 December 2016, respectively. The Directors are of the opinion that, taking into consideration the Group’s internal resources, available banking facilities and the estimated net proceeds from the Share Offer, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus. Please also refer to the section headed “Financial information — Liquidity and capital resources” in this prospectus for further details.

## SUMMARY

### Key financial ratios

	<b>Year ended 31 March</b>		<b>Five months</b>
	<b>2015</b>	<b>2016</b>	<b>ended 31 August</b>
			<b>2016</b>
Return on total assets	11.2%	13.5%	3.7%
Return on equity	144.1%	65.4%	15.6%
Interest coverage	8.2 times	11.1 times	7.8 times
	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Current ratio	0.8	1.0	1.1
Quick ratio	0.8	1.0	1.1
Gearing ratio <sup>(1)</sup>	7.1	1.9	1.5

*Note:* Gearing ratio is calculated based on total debts which include payable incurred not in the ordinary course of business, divided by total equity as at the end of the year/period.

The Group's return on total assets increased from 2015 to 2016 which was mainly driven by the increase in profit for the year while return on equity decreased from 2015 to 2016 which was mainly due to the increase in equity. The increase in interest coverage in 2016 was primarily due to the increased profit before tax and interests as a result of increased revenue and gross profit for the year ended 31 March 2016. The Group maintained a low level of inventories due to the nature of consumables, thus the quick ratio was quite close to the current ratio as at 31 March 2015 and 2016. The Group's current ratio increased from approximately 0.8 to 1.0, representing a net current liabilities position as at 31 March 2015 turned into net assets position as at 31 March 2016, mainly arising from the reduced bank borrowings. The Group recorded gearing ratio of approximately 7.1 times as at 31 March 2015 mainly due to the low equity balance as at the year-end date as a result of the distribution of dividend of approximately HK\$41.1 million to the then shareholders of the subsidiaries. The Group recorded lower gearing ratio of approximately 1.9 times and 1.5 times as at 31 March 2016 and 31 August 2016, respectively, as compared to that as at 31 March 2015, which was mainly attributable to (i) increase in equity as the Group recorded net profit for the year ended 31 March 2016 and five months ended 31 August 2016 and no dividend was declared during such year/period; and (ii) balance of bank borrowings decreased from approximately HK\$69.9 million as at 31 March 2015 to HK\$55.4 million as at 31 March 2016, and further decreased to approximately HK\$50.6 million as at 31 August 2016.

For the five months ended 31 August 2016, the Group recorded lower return on total assets, return on equity and interest coverage ratio, and the Directors consider that the five months period financial results were not comparable to that of the full year. The increased current ratio and quick ratio represented an improved financial position as at 31 August 2016, and because of the decreased bank borrowings, gearing ratio further decreased as at 31 August 2016.

Please also refer to the section headed "Financial information — Key financial ratios" in this prospectus for further details.

## SUMMARY

### **HISTORICAL NON-COMPLIANCE INCIDENTS**

During the Track Record Period, the Group failed to comply with certain legal requirements applicable to the Group, including breach of land use conditions in relation to the principal office of the Group. Please refer to the section headed “Business — Non-compliance” in this prospectus for details of such non-compliance incidents and the respective rectification measures taken.

### **LITIGATIONS AND CLAIMS**

There are nine ongoing litigations against the Group as at the Latest Practicable Date which are all about personal injuries actions and employee’s compensation cases and are covered by insurance. Also there are potential litigations in relation to employees’ compensation claims and common law personal injury claims against the Group as at the Latest Practicable Date. Further details of the litigations are set out in the section headed “Business — Litigations and claims” in this prospectus.

### **WORKPLACE SAFETY**

Given the nature of the services provided by the Group to the customers, the Group’s staff is vulnerable to work-related accidents and injuries. The Group has a system in place to record and handle work-related accidents and injuries of its staff during the Track Record Period and up to at the Latest Practicable Date. The recording and handling of work-related accidents and injuries of the staff are handled by the human resources department.

As at the Latest Practicable Date, the relevant coverage of public liability insurance policies and employees’ compensation insurance policies are HK\$30 million in any one incident and HK\$200 million per event, respectively. Insurance policies for employees’ compensation are renewed every year and their terms may be revised upon renewal. Pursuant to the insurance policies currently effective since 16 September 2016, the Group is generally responsible for employee compensation claims which amount to the first HK\$20,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$20,000 in respect of the compensations indemnifiable under the policy. In regards to public liability claims, the Group is generally responsible for claims which amount to the first HK\$30,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$30,000 in respect of the compensations indemnifiable under the policy. For each of the year ended 31 March 2016 and the five months ended 31 August 2016, the aggregate insurance expenses of the Group were approximately HK\$5.1 million, HK\$5.5 million and HK\$2.3 million, respectively. During the Track Record Period, the Group had settled 16 litigation claims (6 personal injuries actions and 10 employee’s compensation cases) with an aggregate settlement amount of approximately HK\$3.7 million out of which HK\$510,600 was borne by the Group pursuant to the aforementioned arrangement. As at 31 March 2015 and 2016 and 31 August 2016, the Group incurred several ongoing litigation claims related to its employees or third parties injuries, where the Group is defendant and the plaintiffs alleged that they suffered from injuries, thus provision of insurance deductibles of HK\$360,000, HK\$740,000 and HK\$710,000 for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively had been provided based on the insurance policy. At the Latest Practicable Date, there were 9 material and ongoing litigations (8 personal injuries actions and 1 employee’s compensation cases) against the Group and with an aggregate maximum exposure of HK\$740,000 (subject to the result of investigation by the insurer in relation to DCPI 2208/2016) of the Group. As confirmed by the Directors, the Group had made provision of the insurance deductibles of HK\$710,000 in this regard in its latest management account accordingly. No provision was made for the ongoing litigations related to employee

## SUMMARY

compensation cases since the Group has already paid the claims first which exceeded the insurance deductible amount and pursuant to the insurance policy the insurer shall be liable to pay any amount in excess of the insurance deductible amount. For the costs and expenses which exceed the insurance deductibles, the Directors considered the excess amounts (if any) would be fully covered by the Group's insurance policies.

Further details of the workplace safety are set out in the section headed "Business — Workplace safety" in this prospectus.

### SHAREHOLDING OF THE COMPANY

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme), the Company will be owned as to (i) 75% by Sze's Holdings which is an investment holding company and wholly-owned by Rich Cheer as the trustee of the Sze Family Trust, a discretionary trust established by Madam Ng; and (ii) 25% by public Shareholders.

Madam Ng is the chairperson, executive Director and one of the Controlling Shareholders. For details of the background of Madam Ng, please refer to the section headed "Directors and senior management" in this prospectus.

### STATISTICS OF THE SHARE OFFER

	<b>Based on the Offer Price of HK\$0.50 per Share</b>	<b>Based on the Offer Price of HK\$0.40 per Share</b>
Market capitalisation at the Offer Price ( <i>Note 1</i> )	HK\$300 million	HK\$240 million
Unaudited pro forma adjusted net combined tangible assets per Share ( <i>Note 2</i> )	HK\$0.161	HK\$0.138

*Notes:*

1. The calculation of the market capitalisation of Shares is based on the respective Offer Prices of HK\$0.50 and HK\$0.40 per Offer Share and 600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the issue mandate and the repurchase mandate.
2. The unaudited pro forma adjusted combined net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

## SUMMARY

On 21 February 2017, the Company granted share options under the Pre-IPO Share Option Scheme representing 192,000 underlying shares and details of which are set out in the paragraphs headed “D. Share Option Schemes” in Appendix V to this prospectus. The expected share-based payment expenses arising from the grant of such share options of approximately HK\$54,000, HK\$30,000 and HK\$4,000 will be recognised in the combined statements of comprehensive income over the vesting period for the years ending 31 March 2017, 2018 and 2019, respectively. The Group did not incur any share-based payment expenses during the Track Record Period.

Dilution impact of Pre-IPO Share Option Scheme would not materially affect the shareholding structure as the total number of Shares which may be issued and allotted upon exercise of all options granted under the Pre-IPO Share Option shall be 192,000 Shares, representing approximately 0.03% of the enlarged issued share capital of the Company immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option and options which may be granted under the Share Option Scheme).

### **RISK FACTORS**

There are certain risks involved in the Group’s operations, many of which are beyond the Group’s control. The relatively material risks encompass (i) most of the Group’s revenue derived from Tender Contracts and there is no assurance that the existing contracts may be renewed upon expiry or new contracts may be awarded to the Group; (ii) increase in labour costs may adversely affect the Group’s profitability; (iii) the time lags between making payments to the Group’s employees and receiving payments from its customers may adversely affect the Group’s cash flow and financial position; and (iv) the Group is exposed to litigation claims including employees’ compensation claims and common law personal injury claims and insurance coverage may not adequately protect the Group against certain risks. The Group’s operation and further growth may be limited by unavailability of financing at reasonable terms or at all. A detailed discussion of the risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed “Risk factors” in this prospectus.

### **RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD**

Based on the unaudited financial information of the Group for the four months ended 31 December 2016, there was no material adverse change in the financial performance subsequent to the Track Record Period. The Directors do not consider that there was any material adverse change in the environmental hygiene and airline catering support services industry in Hong Kong subsequent to the Track Record Period. According to the Group’s unaudited accounts for the four months ended 31 December 2016, revenue and gross profit were approximately HK\$156.1 million and HK\$22.8 million, respectively, representing a gross profit margin of approximately 14.6%. The Group’s unaudited accounts for the four months ended 31 December 2016 has been reviewed by the Group’s reporting accountant.

As at the Latest Practicable Date, the Group had a total of 2,585 employees (including both full-time and part-time employees) out of which 2,255 employees are responsible for the environmental hygiene service operation and 284 employees are responsible for the airline catering supporting services.

## SUMMARY

As at 31 December 2016, approximately 95.8% of the trade receivables and 97.8% of the trade payables as at 31 August 2016 had been settled respectively. Save as the Listing expenses, the Group did not have any significant non-recurring items in its combined statements of comprehensive income subsequent to the Track Record Period.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group obtained new Tender Contract of contract value in aggregate of approximately HK\$170.2 million and renewed Tender Contracts of contract value in aggregate of approximately HK\$64.2 million. The Directors confirmed that there was no material Tender Contracts terminated or failed to renew during the aforementioned period.

As at the Latest Practicable Date, the Group had 128 unexpired services contracts on hand (without taking into account ad-hoc or one-off contracts) and the information of these contracts including their contract value (being the revenue not yet recognised to the combined statements of comprehensive income as at the Latest Practicable Date) are summarised in the table below:

<b>Number of contracts on hand as at the Latest Practicable Date</b>	131
<b>Outstanding contract value of unexpired service contracts on hand</b>	<i>HK\$' million</i>
From the Latest Practicable Date to 31 March 2017	138.3
After 31 March 2017	<u>413.4</u>
<b>Total</b>	<u><u>551.7</u></u>
<b>Range of contract period</b>	1 to 48 months

According to the Frost & Sullivan Report, with the recent frustration in performance of the retail business in Hong Kong, the number of shopping malls and centers reduced in 2015 unexpectedly from 148 in 2014 to 146 in 2015. In view of a majority of the service contracts that the Group entered into are for terms ranging from one to three years, the Directors are of view that such event did not have a material impact on the Group's financial performance and operations during the Track Record Period and up to the Latest Practicable Date. Besides, according to the Frost & Sullivan Report, it is expected that the number of large-scale shopping venues would be still growing with a CAGR of approximately 1.2% from 2016 to 2020, which will cause an increase in demand for environmental hygiene services in shopping malls and centers.

The Directors confirm that other than the non-recurring Listing expenses, subsequent to the Track Record Period and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

## SUMMARY

### LISTING EXPENSES

The estimated Listing expenses primarily consist of legal and professional fees. The Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.0 million (based on the mid-point of the indicative range of the Offer Price). Out of the total HK\$22.0 million in Listing expenses, the Group has incurred approximately HK\$3.7 million and HK\$4.0 million recognised as expenses in the combined statements of comprehensive income for the year ended 31 March 2016 and five months ended 31 August 2016, respectively. The Group expects to incur further Listing expenses of approximately HK\$5.6 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price), which will be recognised as expenses in the combined statements of comprehensive income subsequent to the Track Record Period and approximately HK\$8.7 million will be capitalised after the Listing. The Directors wish to inform Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 March 2017 will be significantly affected by the estimated expenses in relation to the Listing. Such Listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2017 and the amount to be deducted from the Group's capital is subject to change.

### BUSINESS STRATEGY AND USE OF PROCEEDS

The Group intends to (i) strengthen the Group's available financial resources to finance cash flow mismatch under the Tender Contracts; (ii) increase the market penetration by strengthen the promotion of the Group's brand; (iii) strengthen the established position in the environmental services industry in Hong Kong; and (iv) enhance the IT system to strengthen operational efficiency and service qualities of the Group.

## SUMMARY

The net proceeds from the Share Offer after deducting related expenses are estimated to about HK\$45.5 million (based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range). The Directors intend to apply such net proceeds of the Share Offer as follows:

	From the Latest Practicable Date to		For the six months ending			Total
	31 March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Strengthen the Group's available financial resources to finance cash flow mismatch under the Tender Contracts	12.5	10.5	—	—	—	23.0
Increase the market penetration by strengthen the promotion of the Group's brand	1.1	0.4	0.6	0.4	0.2	2.7
Strengthen the established position in the environmental services industry in Hong Kong	1.8	2.8	1.6	1.4	0.2	7.8
Enhance the information technology system to strengthen operational efficiency and service qualities	1.8	1.8	2.0	1.9	—	7.5
Working capital and general corporate use	4.5	—	—	—	—	4.5

For further information on use of proceeds, please refer to section headed “Statement of business objectives and use of proceeds” in this prospectus.

### REASONS FOR AND BENEFITS OF THE LISTING ON GEM

- In respect of the Group's business, there are often time lags between making payments to the Group's employees and receiving payments from its customers. The Group pays salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group also issues invoices to its customers typically on a monthly basis in respect of the services provided during the month. The credit period granted to the Group's major customer in general ranges from 30 days to 75 days. The Directors believe that the capital raise through the Listing would strengthen the Group's cashflow position which in turn will enable the Group to undertake more Tender Contracts to capture the growth in market sizes of environmental hygiene services industry and airline catering support services industry in Hong Kong.

## SUMMARY

2. As the majority of new businesses are obtained through tender invitation by customers, keeping strong relationship with the customers is critical to maintain the competitiveness of the Group. Hence the Directors believe that the capital raise through the Listing would enable the Group to make further investment on additional tools and equipment and manpower so as to provide quality services to the customers.
3. During the Track Record Period, the Group utilised its banking facilities, internal resources and/or amount due to related parties for its business operations. As at 31 December 2016, the Group's cash and cash equivalent was approximately HK\$23.6 million. The Directors consider that it is necessary to maintain a cash level to support the Group's existing operations and growth through continuing organic expansion given the net working capital cash outflow exposure of approximately HK\$3.9 million, HK\$5.0 million and HK\$4.4 million for each of the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016, respectively. In addition, despite the unutilised banking facilities of approximately HK\$47.0 million as at 31 December 2016, the Directors consider that further debt financing for expansion may further increase the gearing ratio and decrease the current ratio of the Group and hence increase its liquidity risk after taking into consideration of (a) the Group's net current assets position of approximately HK\$6.4 million and HK\$14.7 million as at 31 August 2016 and 31 December 2016, respectively; and (b) its highest gearing ratio and lowest current ratio among the competitors which are listed on the Stock Exchange. As such, the Directors believe that the Group will be able to maintain a low gearing ratio by raising equity funds through the Listing to implement its business strategies as detailed in the section headed "Business — Business Strategies" in this prospectus.
4. The Listing also provides a platform for the Group to raise further capital in the future given (a) the finance costs incurred for each of the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 amounted to approximately HK\$2.5 million, HK\$2.3 million and HK\$1.1 million, respectively; and (b) the uncertain interest rate movement going forward which may expose the Group to increasing borrowing costs in the future via debt financing. (i.e as at 31 March 2015 and 2016 and 31 August 2016, the bank borrowings carried interest rate at floating rates ranged from 1.99% to 5.25%, 1.95% to 5.50% and 2.60% to 5.50% per annum, respectively). Further, the Directors believe that the Listing would enable the Group to obtain debt financing with more favourable terms from financial institutions.
5. The growing market size for environmental hygiene services industry and airline catering support services industry in Hong Kong would continue to benefit the Group's future business development. According to the Frost & Sullivan Report, the market size of environmental hygiene services is expected to further expand to approximately HK\$15,606.3 million in 2020, representing a CAGR of approximately 7.1% from 2016 to 2020 while the market size of airline catering support service expects a further growth to approximately HK\$144.8 million in 2020, representing a CAGR of approximately 7.8% from 2016 to 2020. After taking into consideration that (i) the growth potential of the environmental hygiene services industry and airline catering support services industry in Hong Kong; and (ii) the Group may be able to capture growth and hence sustainability could be further enhanced by implementing its business strategies as mentioned in the section headed "Business — Business Strategies" in this prospectus, the Directors believe that Listing on the GEM would be beneficial to the Group as GEM has been positioned as a market designed to accommodate companies with high growth potential.

## SUMMARY

6. Some of the companies which have comparable business with the Group have been listed on the Stock Exchange and those competitors would have better access to funding and financing than the Group. The Directors believe that the Listing will allow the Group to maintain its competitiveness against its competitors. In addition, the majority of the Group's major clients are listed companies and the Directors believe that some of the customers of the Group may prefer to engage services provider which is a listed company with higher corporate profile and creditability, sound internal and corporate governance practice and regulatory supervision.
7. The Directors believe that a public listing status on GEM may offer the Company a broader shareholder base and enhance its brand awareness and publicity.

Based on the reasons stated above, the Directors are of the view that the Listing would be beneficial to the Group in the long run.

### **DIVIDENDS**

Prior to the reorganisation, interim dividends amounting to total approximately HK\$41.1 million have been declared and paid to the then shareholders of certain subsidiaries of the Company during the year ended 31 March 2015. Please refer to note 11 of Accountant's Report set out in Appendix I to this prospectus for details of the interim dividend declared by each of the subsidiaries of the Company for the year ended 31 March 2015.

The accumulated losses of the Group were HK\$10,985,000 as at 31 March 2015 was not due to the declaration and payment of interim dividends as mentioned above but mainly attributable to the reversal of accumulated fair value gain of the leasehold land and buildings of approximately HK\$16,458,000. The leasehold land and buildings, which are held by Wealthy Strong, were held to earn rental income and were stated at fair value in the book of Wealthy Strong. As the Group used such leasehold land and building as head office, it was then stated at cost less accumulated depreciation and any impairment losses in combined statement of financial position of the Group. Such differences between the fair value and its cost less accumulated depreciation and any impairment losses was adjusted in the combined statements of financial position of the Group and hence resulted in an accumulated losses as at 31 March 2015.

Save as disclosed above, no final dividends have been declared by the Company or the subsidiaries now comprising the Group to their then equity owners during the Track Record Period nor has any dividend been proposed after 31 March 2016. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board.

### **NO MATERIAL ADVERSE CHANGES**

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the Group's financial or trading position since 31 August 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there has been no event since 31 August 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I in this prospectus.

## DEFINITIONS

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

“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company adopted on 21 February 2017 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 449,000,000 Shares to be issued upon capitalisation of part of the share premium account of the Company referred to in the paragraphs headed “A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 23 February 2017” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Collection Authority”	for the purpose of the WDO, in relation to chemical and clinical waste, means the Director of Environmental Protection; in relation to any other waste, means the Director of Food and Environmental Hygiene

## DEFINITIONS

“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions Ordinance) (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Winson Holdings Hong Kong Limited (永順控股香港有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 31 May 2016
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this prospectus, refers to Sze’s Holdings, Rich Cheer, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 February 2017 entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries from time to time) to provide certain indemnities, particulars of which are set out in the paragraphs headed “E. Other Information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition Undertakings”	the deed of non-competition undertakings dated 23 February 2017 entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of the Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“EPD”	the Environmental Protection Department of Hong Kong
“FEHD”	the Food and Environmental Hygiene Department of Hong Kong

## DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan Limited, an Independent Third Party, being a professional market research company
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan on the environmental hygiene and airline catering support services industries in Hong Kong, the content of which is quoted in this prospectus
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, its present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	individual(s), person(s) or company(ies) and any of their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) the Company or its connected persons
“Joint Bookrunners”	Ping An Securities Limited and Astrum Capital Management Limited

## DEFINITIONS

“Latest Practicable Date”	18 February 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	the listing and the commencement of dealings of the Shares on GEM
“Listing Date”	the date on which the Shares are listed and dealings in the Shares first commence on GEM, which is expected to be on or about 16 March 2017
“Listing Division”	the Listing Division of the Stock Exchange
“Madam Ng”	Madam Ng Sing Mui (吳醒梅), the spouse of Mr. Sze and the mother of Ms. Sze Tan Nei and Mr. Sze Wai Lun, a co-founder of the Group, an executive Director and the chairperson of the Company, one of the Controlling Shareholders, and the settlor of the Sze Family Trust
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor of the Company for the Listing, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. SY Sony”	Mr. SY Sony (施純力), the younger brother of Mr. Sze
“Mr. Sze”	Mr. Sze Wai Chun Johnny (施維進), the spouse of Madam Ng, a co-founder of the Group and a former shareholder and director of Winson Cleaning, Winson Pest Control and Wealthy Strong who resigned on 11 November 2014 and did not directly or indirectly hold any beneficial interests in shares in any members of the Group since 8 January 2015. After the transfer of his one trustee share in each of Winson Cleaning, Winson Pest Control and Wealthy Strong, Mr. Sze did not directly or indirectly hold any share in any member of the Group since 26 March 2015
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share, such price to be determined as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Shares”	collectively, the Placing Shares and the Public Offer Shares

## DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company for cash at the Offer Price subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	135,000,000 new Shares being offered at the Offer Price for subscription under the Share Offer subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into between the Company, the Controlling Shareholders, the executive Directors, the Sponsor and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“PRC”	the People’s Republic of China, and for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by the Company on 21 February 2017, the principal terms of which are summarised in the paragraphs headed “D. Share Option Schemes” to Appendix V in this prospectus
“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 8 March 2017 (or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company), on which the Offer Price is to be fixed
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms

## DEFINITIONS

“Public Offer Share(s)”	15,000,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 27 February 2017 relating to the Public Offer entered into, among others, between the Company, the Controlling Shareholders, the executive Directors, the Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Quotations”	refers to non-Tender Contracts such as quotations and one-off contracts, details of which are set out under the section headed “Business — Customers — Customer contracts — Quotations” in this prospectus
“Reorganisation”	the reorganisation of the Group for the purpose of the Listing, particulars of which are set out in the section headed “History, Development and Reorganisation” in this prospectus
“Rich Cheer”	Rich Cheer Development Limited (豐悅發展有限公司), a company incorporated in Hong Kong on 6 December 2014 with limited liability and the trustee of the Sze Family Trust, the sole shareholder and director of which is Madam Ng
“SFC”	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) of HK\$0.01 each in the share capital of the Company
“Share Offer”	collectively, the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 21 February 2017, the principal terms of which are summarised in the paragraphs headed “D. Share Option Schemes” in Appendix V to this prospectus
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)

## DEFINITIONS

“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and the details of which are set out in the section headed “Substantial shareholders” in this prospectus
“Sze Family Trust”	a family trust set up by Madam Ng, the assets of which comprise the entire issued share capital of Sze’s Holdings and such additional sum or sums of money or other property as the settlor of the trust may pay to or transfer to the trustee
“Sze’s Holdings”	Sze’s Holdings Limited (施氏控股有限公司), a company incorporated in the BVI with limited liability on 2 December 2014 and is wholly-owned by Rich Cheer as the trustee of the Sze Family Trust
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Tender Contracts”	refers to the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed “Business — Customers — Customer contracts — Tender Contracts” in this prospectus
“Track Record Period”	the two financial years ended 31 March 2015 and 2016 and the five months ended 31 August 2016
“Underwriters”	collectively, the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	collectively, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“Wealthy Strong”	Wealthy Strong Investment Limited (富強投資有限公司), a company incorporated in Hong Kong with limited liability on 24 October 1991 and an indirect wholly-owned subsidiary of the Company
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)

## DEFINITIONS

“Winson Cleaning”	Winson Cleaning Service Company Limited (永順清潔服務有限公司), a company incorporated in Hong Kong with limited liability on 9 December 1983 and an indirect wholly-owned subsidiary of the Company
“Winson Group HK”	Winson Group Hong Kong Limited (永順集團香港有限公司), a company incorporated in the BVI with limited liability on 28 November 2014 and a direct wholly-owned subsidiary of the Company
“Winson Group Holdings”	Winson Group Holdings Ltd. (永順集團控股有限公司), a company incorporated in the BVI with limited liability on 24 April 2001
“Winson Pest Control”	Winson Professional Pest Control Company Limited (威信專業滅蟲有限公司), a company incorporated in Hong Kong with limited liability on 28 September 1993 and an indirect wholly-owned subsidiary of the Company
“WDO”	Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“HK\$” and “cents”	the Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“kg”	kilogramme(s)
“m <sup>2</sup> ” or “sq.m.”	square metre(s)
“sq.ft.”	square feet
“%”	per cent.

## GLOSSARY OF TECHNICAL TERMS

*The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.*

“CAGR”	compound annual growth rate
“GDP”	gross domestic product
“GFA”	gross floor area
“household waste”	waste produced by a household, and of a kind that is ordinarily produced by a dwelling when occupied as such
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001”	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behavior of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“I.T.” or “IT”	information technology
“OHSAS 18001”	OHSAS 18001 is an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“SGS”	SGS S.A. (formerly known as Société Générale de Surveillance) is a multinational company headquartered in Geneva, Switzerland which provides inspection, verification, testing and certification services

## FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to the Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business" and "Financial information", which are, by their nature, subject to risks and uncertainties.

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

- the Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of the Group's business;
- the Group's operation and business prospects;
- the Group's dividend policy;
- the regulatory environment of the Group's industry in general;
- the future development and trends in the Group's industry; and
- risks identified under the section headed "Risk factors" in this prospectus.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the Group's control. In addition, these forward-looking statements reflect the Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk factors" in this prospectus.

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

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

## RISK FACTORS

*Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

There are certain risks involved in the business and operation of the Group. These risks can be categorised into (i) risks relating to the Groups' business; (ii) risks relating to the industry which the Group operates; (iii) risks relating to the Share Offer and the Shares; and (iv) risks relating to statements in this prospectus.

### **RISKS RELATING TO THE GROUP'S BUSINESS**

**The Group's revenue is mainly derived from Tender Contracts and there is no assurance that the existing contracts may be renewed upon expiry or new contracts may be awarded to the Group**

A majority of the Group's service contracts have fixed service terms that range from one to three years and many of them are granted to the Group by way of tendering. For each of the Track Record Period, the percentage of revenue derived through Tender Contracts were approximately 79.8%, 71.1% and 88.6%, respectively. The Group is required to submit new tenders upon expiry of the existing contracts or to bid for new contracts from time to time. In relation to the existing service contracts which are about to expire, the general timeframe for submitting new tenders for supplying the same services to the customer is generally three months prior to expiry of the service contract. There is no assurance that the Group will meet the mandatory tendering requirements and in such case, the Group may not be granted the contract and therefore, the Group's business operations and financial results may be adversely affected.

In general, customers who select their environmental service providers through the tender process generally do not offer a right of first refusal upon expiry of such contracts and therefore there is a risk that the Group may not succeed in tendering for the same customer's services upon the expiry of a service contract. Even if the Group is able to meet the prerequisite requirements for tendering, there is no assurance that (i) the Group would be invited to or is made aware of a new tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) the tenders would be ultimately selected by customers. In the tendering process, the Group may have to lower the service fees or offer more favourable terms to customers in order to increase the competitiveness of its tenders, and if the Group is unable to reduce costs accordingly, financial results and profitability would be adversely affected.

**Most of the contracts of the Group are Tender Contracts and the terms of the tenders are pre-set by the customers which may not include price adjustment mechanism except for the statutory minimum wage changes. Profitability may be adversely affected if costs overrun**

Most of the contracts of the Group are Tender Contracts and the terms of the tenders are pre-set by the customers which may not include price adjustment mechanism except for the statutory minimum wage changes. Accordingly, the Group has to bear the risk of cost fluctuations. Most of the Group's

## RISK FACTORS

revenue is derived from Tender Contracts of one to two years in general but Tender Contracts can be as long as three years. There is no assurance that the costs estimated at the beginning of a contract will not overrun during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in cost of labour and materials, changes in regulatory requirements, labour disputes and unforeseen problems and circumstances. If the Group is unable to control costs within estimates, business operations, financial results and profitability of the Group may be adversely affected.

**Inability to recruit sufficient labour may materially affect the Group's operations and financial performance. Further, any increment in the statutory minimum wage may increase labour costs and therefore may adversely affect profitability**

Business operations of the Group are labour-intensive and due to the locality of its customers, all of the Group's employees are employed in Hong Kong. Any shortage in the supply of workers in Hong Kong may adversely affect the Group's operations and financial performance.

The Group's operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011 with the initial statutory minimum wage rate of HK\$28.0 per hour. From 1 May 2013, the statutory minimum wage was raised to HK\$30.0 per hour and with effect from 1 May 2015, the statutory minimum wage rate was further raised to HK\$32.5 per hour. During the Track Record Period, the size of the Group's workforce as at 31 March 2015 and 2016 was 2,508 and 2,565 employees (including both full-time and part-time), respectively. For two years ended 31 March 2016 and the five months ended 31 August 2016, direct wages amounted to approximately HK\$258.1 million, HK\$292.7 million and HK\$120.9 million, representing approximately 82.4%, 76.8% and 74.1% of total cost of services during the respective years/period and the Directors expect labour costs to continue to represent a significant percentage of total cost of services.

There is no assurance that the statutory minimum wage rate will not be further revised upward in the future or that labour costs may not increase generally due to for instance, the continued expansion of workforce. In particular, given that under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), the statutory minimum wage in Hong Kong is reviewed at least once every two years and the latest increase in the statutory minimum wage was in 2015, being two years after 2013. If there are further increments in the statutory minimum wage in 2017, the Group's cost of services may increase thereby reducing profit margins.

In addition, the intense competition in the environmental hygiene services industry for experienced employees may also exert upward pressure on the salaries of employees and the staff turnover rate of the Group. According to the Frost & Sullivan Report, there is a general upward trend for the average wages of workers in Hong Kong, with an increase in average wages of workers providing cleaning services from approximately HK\$6,506.3 per month in 2011 to approximately HK\$8,162.3 per month in 2015, or a CAGR of approximately 5.8%. Moreover, according to the Census and Statistics Department in Hong Kong, nominal wage index for all industries increased at a CAGR of about 6.5% from 2009 to 2015. There is no assurance that the Group may be able to adequately increase service fees so as to pass all increased staff costs to its customers, business operations, financial results and profitability may thereby be materially and adversely affected.

## RISK FACTORS

### **The top five suppliers accounted for a substantial portion of the purchases of the Group**

During the Track Record Period, suppliers of goods and services which were specific to the Group's business to carry on our business included (i) sub-contractors engaged by the Group mainly to provide refuse removal services; (ii) manpower suppliers to supply manpower to perform general environmental hygiene services; (iii) material suppliers to supply consumables and equipment used in the provision of environmental hygiene services and airline catering support services; and (iv) suppliers of other miscellaneous goods and services required for its business operations.

The Group's top five suppliers accounted for approximately 89.5%, 83.0% and 84.0% of total purchases for each of two years ended 31 March 2015 and 2016 and five months ended 31 August 2016, respectively. In particular, approximately 45.2%, 54.9% and 59.7% of the Group's total purchases were attributable to the largest supplier for each of the two years ended 31 March 2015 and 2016 and five months ended 31 August 2016, respectively. If any of the top suppliers were to substantially reduce the amount of goods or services provided to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to identify new suppliers/sub-contractors in replacement in a timely manner or at all. In addition, there can be no assurance that the provision of goods and services from new suppliers/sub-contractors in replacement, if any, would be on commercially comparable terms. As such, the Group's operations and financial performance may be adversely affected.

### **The time lags between making payments to the Group's employees and receiving payments from its customers may adversely affect the Group's cash flow and financial position**

In respect of the Group's business, there are often time lags between making payments to the Group's employees and receiving payments from its customers. The Group pays salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group also issue invoices to its customers typically on a monthly basis in respect of the services provided during the month. The credit period granted to the Group's major customers in general ranges from 30 days to 75 days. However, there is no assurance the customers will make payment on time and in full. During the Track Record Period, the Group's trade receivables turnover days were approximately 60.5 days, 56.4 days and 61.9 days respectively, details of which are discussed in the section "Financial information — Trade receivables analysis" in this prospectus. If the Group fails to properly manage its exposure from such cash flow mismatch or if the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected.

### **The Group is exposed to litigation claims including employees' compensation claims and common law personal injury claims and insurance coverage may not adequately protect the Group against certain risks**

Due to the nature of the Group's business, the Group's employees are vulnerable to injuries. For each of the two years ended 31 March 2015 and 2016 and five months ended 31 August 2016, the Group's accident rate per 1,000 employees was approximately 40.1, 34.3 and 14.5, respectively. Employees who suffer bodily injury or death as a result of accidents or contract occupational diseases arising out of and in the course of their employment with the Group are entitled to claim damages under

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the Employees' Compensation Ordinance as well as under the common law. Furthermore, the Group may face claims from third parties from time to time, including those who suffer personal injuries at premises where the Group provides services.

As at the Latest Practicable Date, the relevant coverage of public liability insurance policies and employees' compensation insurance policies are HK\$30 million in any one incident and HK\$200 million per event, respectively. Insurance policies for employees' compensation are renewed every year and their terms may be revised upon renewal. Pursuant to the insurance policies currently effective since 16 September 2016, the Group is generally responsible for employee compensation claims of which amount to the first HK\$20,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$20,000 in respect of the compensations indemnifiable under the policy. In regards to public liability claims, the Group is generally responsible for claims which amount to the first HK\$30,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$30,000 in respect of the compensations indemnifiable under the policy. For each of the two years ended 31 March 2015 and 2016, the aggregate insurance expenses of the Group were approximately HK\$5.1 million and HK\$5.5 million, respectively. During the Track Record Period, the Group had settled 16 litigation claims (6 personal injuries actions and 10 employee's compensation cases) with an aggregate settlement amount of approximately HK\$3.7 million out of which HK\$510,600 was borne by the Group pursuant to the aforesaid arrangement. As at 31 March 2015 and 2016 and 31 August 2016, the Group incurred several ongoing litigation claims related to its employees or third parties injuries, where the Group is defendant and the plaintiffs alleged that they suffered from injuries, thus provision of insurance deductibles of HK\$360,000, HK\$740,000 and HK\$710,000 for each of the year ended 31 March 2015 and 2016 and five months ended 31 August 2016, respectively had been provided based on the insurance policy. At the Latest Practicable Date, there were 9 material and ongoing litigations (8 personal injuries actions and 1 employee's compensation cases) against the Group with an aggregate maximum exposure of HK\$740,000 (subject to the result of investigation by the insurer in relation to DCPI 2208/2016) of the Group. As confirmed by the Directors, the Group had made provision of the insurance deductibles of HK\$710,000 in this regard in its latest management account accordingly. No provision was made for the ongoing litigation related to employee compensation cases since the Group has already paid the claims first and pursuant to the insurance policy the insurer shall be liable to pay any amount in excess of the insurance deductible amount. For the costs and expenses which exceed the insurance deductibles, the Directors considered the excess amounts (if any) would be fully covered by the Group's insurance policies. It is possible that the subject workers of these incidents (including those already settled by insurance) may claim against the Group under the Employees' Compensation Ordinance or pursue personal injury claims against the Group under common law. For details of the claims and litigations during the Track Record Period, please refer to the section headed "Business — Litigations and claims" in this prospectus.

There is no assurance that the insurance policies will cover the Group against future events and if the Group has to pay additional compensation out of its own resources for any uninsured claims, financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of cases, the Group may need to spend resources and incur costs to handle these claims, and these claims may also affect reputation of the Group in the environmental service industry, therefore adversely affect the Group's business operations, financial results and profitability.

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### **Safety measures may not be strictly complied with by employees of the Group or third party service providers**

Employees of the Group may be required to undertake certain tasks including but not limited to: (i) working at height or on slippery floor, (ii) operation of heavy machinery and electrical appliances, (iii) lifting of heavy objects, (iv) use of corrosive and inflammable chemicals and (v) working in environments containing dust, dirt, and viruses or bacteria. There is no assurance that employees or third party service providers will fully comply with the safety measures during their execution of the above tasks or any other tasks, and if they do not, incidents of personal injuries, property damage or fatal accidents may occur more frequently. This may adversely affect the Group's ability to renew contracts upon expiry of terms or obtain new contracts, and its reputation and business operation.

In addition, there is no assurance that the Group will be able to comply with any new laws and regulations relating to health and safety protection in workplaces imposed by the Hong Kong Government in the future. Any failure to comply with such new laws or regulations may incur penalty and adversely affect the Group's reputation and business operations.

### **Loss of key management or the inability to attract and retain suitable staff for operations may materially affect the operations and business growth of the Group**

To a significant extent, the Group's success is attributable to the leadership and contributions of its management team members as described in the section headed "Directors and senior management" in this prospectus, particularly Madam Ng, an executive Director as well as one of the Controlling Shareholders. The Group's continued success is therefore dependent to a large extent on the Group's ability to retain the services of its management team. Any unanticipated departure of members of the management team without appropriate replacements may have a material adverse impact on the business operations and profitability of the Group.

Furthermore, for each of the two years ended 31 March 2015 and 2016 and five months ended 31 August 2016 the Group's staff turnover rates (including both full-time and part-time staff) were approximately 32.8%, 28.8% and 16.6%, respectively, which was mainly attributable to the turnover of its operation teams. The Group may be affected by a shortage of skilled staff in the environmental service industry and/or any changes in labour costs due to increased wages. Furthermore, if turnover rate increases in the future, there may be an adverse impact on the Group's business operations.

### **Damage to brand name or failure to protect brand name may affect the attractiveness of the Group's services and adversely affect the Group's business and financial performance**

The Group operates under the brand "" and as at the Latest Practicable Date, the Group had registered its trademark in Hong Kong. If there is any misuse by third parties of the brand (e.g. subcontractors or third party service providers or employees of the Group), the Group will have to invest considerable time and resources in enforcing litigation against parties that infringe the Group's trademark in order to protect the Group's from trademark infringement or if the Group is unable to detect, deter and prevent misbehavior and misconduct by employees or if the Group fails to effectively protect the Group's brand and trademark, its reputation could be damaged and its business and financial performance may be materially and adversely affected.

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### **The operations and financial results of the Group may be adversely affected if the Group fails to maintain a good relationship with its third party service providers**

Third party service providers may be engaged to take part in some projects, such as those that require special equipment or where it is considered more cost-effective to deploy third party service providers. Projects that involve third party service providers mainly include labour provision and garbage removal. For the two years ended 31 March 2015 and 2016, fees charged by these third party service providers amounted to approximately HK\$42.5 million and HK\$74.4 million, respectively, representing approximately 13.6% and 19.5% of total cost of services. For the five months ended 31 August 2016, the Group's top five suppliers accounted for approximately 84.0% of total purchases, while approximately 59.7% of the Group's total purchase during that period were attributable to the largest supplier. The Group expects to continue to employ these third party service providers for certain tasks. However, the Group has not entered into long-term contracts with its third party service providers and the third party service providers have no obligations to provide services exclusively to the Group. If the Group fails to maintain good relationship with them or retain them at costs favourable to the Group, operations and financial results of the Group may be adversely affected.

### **The Group's business plan and strategies may not be successful, which could materially and adversely affect its results of operations**

The Group's business plan and strategies include strengthening the Group's available financial resources to finance cash flow mismatch under the Tender Contracts; increasing market penetration by strengthening the promotion of the Group's brand; strengthening its established position in the environmental services industry in Hong Kong and enhancing the IT system to strengthen operational efficiency and service qualities. Please refer to the section headed "Business — Business strategies" in this prospectus for further details. There is no assurance that the Group will be able to implement the strategies as mentioned successfully. In the event that the Group fails to maintain its market position or implement its business plan, the Group's business operation, financial performance and hence results of operations could be materially and adversely affected.

The Group plans to strengthen its established position in the environmental services industry in Hong Kong. Provision of such services will involve substantial investment in additional equipment and resources reallocation on management, financial and operational aspects and certain details of the strategy including the amounts to be funded from the net proceeds from the Share Offer are set out in the section headed "Business — Business strategies" in this prospectus. However, there is no guarantee that such expansion plans will bring the Group the amount of revenue and investment returns as planned, which in turn would adversely affect the Group's business and financial performance.

### **Fluctuations in direct labor costs, manpower supplier charges and sub-contracting charges may affect the Group's result of operations**

Environmental hygiene services and airline catering support services are labour intensive in general. For any given contracts, a large number of workers may be required. If there is a significant fluctuation in the costs of labour and demand for experienced and skilled labour and the Group has to retain labour (likewise subcontractors retain their labour) by increasing their wages, staff costs and/or manpower supplier charges or sub-contracting charges will increase, which will thus lower the Group's

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profitability. On the other hand, if the Group or the Group's sub-contractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with existing or future projects, the Group may not be able to timely complete the projects, resulting in liquidated damages and/or financial losses.

For a sensitivity analysis on the impact of fluctuations in direct labour costs, manpower supplier charges and sub-contracting charges on net profit during the Track Record Period, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

**The Group and its employees may fail to obtain or renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group's ability to obtain new projects and its financial position and prospects**

As at the Latest Practicable Date, the Group and its employees had a variety of licences and permits for various types of works, including those detailed in the sections headed "Business — Certifications and licences" and "Business — Employees, staff training and development — Employees with relevant certificates" in this prospectus. Some of these major licences, permits or qualifications have an expiry date and there is no assurance that the Group and its employees can renew the aforesaid in a timely manner. In addition, the Directors believe that some licences, permits and qualifications are subject to continued compliance with various standards relating to, among others, financial capability, expertise, management and safety and there is no assurance that the Group and its employees will continue to meet such standards from time to time. There are circumstances which may affect the ability of the Group and its employees to maintain such licences and permits or otherwise lead to a suspension of the qualifications. If the Group and its employees are unable to renew or otherwise maintain their licences, permits or qualifications, the Group may not be able to obtain certain new projects, and thereby its financial position and prospects would be materially and adversely affected.

**The Group is exposed to environmental liabilities which may affect the Group's operations**

The Group's operations are subject to a variety of environmental laws and regulations in Hong Kong, as well as standards imposed by environmental laws and regulations in respect of pollution and waste disposal. Please refer to the section headed "Regulatory overview" in this prospectus for more detailed discussion of these laws, regulations and standards. Any failure, or claim that the Group has failed to comply with these environmental laws and regulations could cause delays in capacity expansion and affect the Group's public image, either of which could seriously harm the Group's business. In addition, failure to comply with these laws and regulations could subject the Group to substantial fines, clean-up costs and environmental liabilities, or even suspension of operations which could materially and adversely affect the operating results and prospects of the Group.

**The Group recorded net current liabilities as at 31 March 2015 and the Group may expose to liquidity risk if the Group experiences net current liabilities in the future**

The Group recorded net current liabilities of approximately HK\$21.1 million as at 31 March 2015 and net current assets of approximately HK\$39,000 and HK\$6.4 million as at 31 March 2016 and 31 August 2016, respectively. As confirmed by the Directors, the net current liabilities of approximately HK\$21.1 million as at 31 March 2015 was mainly attributable to the distribution of dividend of approximately HK\$41.1 million to the then shareholders of the subsidiaries which was settled by off-setting against the then inter-company balance and thus resulted a net current liabilities position as at 31

## RISK FACTORS

March 2015. There is no assurance that the Group will not experience net current liabilities position in the future. The Group may not have sufficient working capital to meet the Group's current liabilities or expand the Group's operations as anticipated. In such circumstances, the Group's liquidity, business operations, financial condition and prospects may be materially and adversely affected.

### **The Group is subject to significant risk relating to changes in interest rate and may not be able to effectively protect against this risk**

Most of the borrowings of the Group have variable interest rates. The Group incurred finance costs of approximately HK\$2.5 million, HK\$2.3 million, and HK\$1.1 million for each of the two years ended 31 March 2016 and five months ended 31 August 2016, respectively. It may not be possible for the Group to effectively hedge against changes in interest rates at all or on an economically reasonable basis. Increases in interest rates could materially increase the borrowing costs and could have a material adverse effect on the Group's results of operations and financial condition.

### **RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES**

#### **Changes in the social and economic landscape of Hong Kong may materially affect the business of the Group**

All of the Group's operations are based in and revenue is derived from Hong Kong. Currently the Group has no plans to expand into foreign markets. Any major changes to Hong Kong's social and economic landscape will have a significant impact on the Group's business. If there are any material adverse changes in the social and economic conditions in the area including (i) the occurrence of natural disasters, epidemics, other acts of god or breakdown in the transportation system which may disrupt the Group's inventory supplies; (ii) change in local government policies, rules or regulations, which may lead to an increase in operating costs; or (iii) a sudden downturn in the economy or consumer demands which may lead to a decrease in profits, the Group's business and expansion strategy, operations, financial results and profitability may be adversely affected.

#### **A highly competitive market may put downward pricing pressures on the Group thereby materially and adversely affecting the Group's profitability**

According to the Frost & Sullivan Report, there is a large number of competitors in the environmental service industry in Hong Kong with approximately 1,140 service providers in 2015. If the Group does not provide a competitive bid as compared to its competitors, services of the Group may not be attractive to customers which will further lower the chance that the Group be awarded a contract. As a result, profitability may be materially and adversely affected.

### **RISK RELATING TO THE SHARE OFFER AND THE SHARES**

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Group or the

## RISK FACTORS

Group's competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuation in the market prices for the Group's products or raw materials, the liquidity of the market for the Shares, the general market sentiment regarding the industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

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

The Group may issue additional Shares upon exercise of options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme. In addition, the Group may need to raise additional funds in the future to finance a business expansion, which may relate to existing operations, new business developments and/or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced and they may experience dilution of their proportionate interest in the Company; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Under the HKFRSs, the costs of share options granted/to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme as the case maybe will be charged to the Group's profit or loss over the vesting period by reference to the fair value at the date of granting of the share options. The profitability of the Group may be adversely affected during the vesting period, if applicable, over the life of any outstanding share options granted or options to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme respectively. Upon exercise of the outstanding share options, the Company shall allot and issue further new Shares to the holders of such outstanding share options which will result in dilution of Shareholders' interests in the Company.

### **Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

The price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by the Group, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. The Group cannot predict the effect, if any, of any future sales of the Shares by any of its Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the market price of

## RISK FACTORS

the Shares. Sales of a substantial number of Shares by any of its Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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

#### **Statistics and industry information contained in this prospectus has not been independently verified and should not be unduly relied upon**

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industry in which the Group’s operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this prospectus have been extracted from an industry report commissioned by the Company and prepared by Frost & Sullivan, an independent market research agency. The Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, the Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, the Joint Bookrunners (for themselves and on behalf of the Underwriters), their respective affiliates or advisers nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

#### **The future results could differ materially from those expressed or implied by the forward-looking statements**

Included in this prospectus are various forward-looking statements that are based on various assumptions. The future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to the Group and the Share Offer that is not set out in this prospectus. The Company wishes to emphasise to potential investors that neither the Company nor any of the Sponsor, the Joint Bookrunners (for themselves and on behalf of the Underwriters), the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by the Company or any of

## **RISK FACTORS**

the Professional Parties. Neither the Company nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, the Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

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

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading. Printed copies of this prospectus are available, for information purpose only, at the office of Messis Capital Limited from Tuesday, 28 February 2017 to Friday, 3 March 2017 (both days inclusive and during office hours from 9:30 a.m. to 5:30 p.m. for business days only).

### **INFORMATION ON THE SHARE OFFER**

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

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published in connection with the Share Offer for which Messis Capital is the sponsor. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information about the Underwriters, the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON SUBSCRIPTION OF OFFER SHARES**

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

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

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdiction.

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

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

### **APPLICATION FOR LISTING ON GEM**

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

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

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public. A total of 150,000,000 Offer Shares representing approximately 25% of the enlarged issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

### **REGISTRATION AND STAMP DUTY**

The principal register of members of the Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited. All the Offer Shares will be registered on the branch register of members of the Company which will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Dealings in the Shares registered on the Company's branch register of members maintained in

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

Hong Kong will be subject to Hong Kong stamp duty. The Shares are freely transferrable. Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

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

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

### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES**

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

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

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

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

### **COMMENCEMENT OF DEALING IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m., Thursday, 16 March 2017. Shares will be traded in board lots of 5,000 Shares each.

The stock code of the Company is 8421.

The Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM’s teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the branch share register of the Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

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

### **LANGUAGE**

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

### **ROUNDING**

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

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Madam Ng Sing Mui (吳醒梅)	No. 7, 25th Street Hong Lok Yuen Taipo, New Territories Hong Kong	Chinese
Ms. Sze Tan Nei (施丹妮)	Unit B, 23/F, Block 7B Oceanaire, 18 Po Tai Street Ma On Shan New Territories Hong Kong	Chinese
Mr. Ang Ming Wah (洪明華)	Flat B, 21/F Champion Court, 11 Hong Ning Road Kwun Tong Hong Kong	Chinese
Mr. Sze Wai Lun (施偉倫)	No. 7, 25th Street Hong Lok Yuen Taipo, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Yuen Ching Bor Stephen (袁靖波)	Flat B, 26/F Banyan Mansion 24 Taikoo Wan Road Hong Kong	Chinese
Mr. Chung Koon Yan (鍾琯因)	Flat B, 6/F Broadview Terrace 40 Cloud View Road North Point Hong Kong	Chinese
Mr. Ma Kwok Keung (馬國強)	Flat 12, G/F, Bellevue Court 63 Hung Shui Kiu Main Street Hung Shui Kiu, New Territories Hong Kong	Chinese
Mr. Wong Yat Sum (黃一心)	Flat C, 2/F, Block C Rear 60 Castle Peak Road, Kowloon Hong Kong	Chinese
Mr. Chan Chun Sing (陳振聲)	Flat D, 25/F, Yuan Kung Mansion Taikoo Shing, 20 Taikoo Shing Road, Hong Kong	Chinese

For further information on the profile and background of the Directors, please refer to the section headed "Directors and senior management" in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sponsor

##### **Messis Capital Limited**

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

Room 1606, 16/F  
Tower 2, Admiralty Centre  
18 Harcourt Road  
Hong Kong

#### Joint Bookrunners

##### **Ping An Securities Limited**

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

Unit 02, 2/F  
China Merchants Building  
152–155 Connaught Road Central  
Hong Kong

##### **Astrum Capital Management Limited**

*A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*

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

#### Legal advisers to the Company

*As to Hong Kong Law*

##### **Cheung & Choy**

*Solicitors, Hong Kong*  
Rms 417–418, 4/F  
Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

*As to Cayman Islands Law*

##### **Conyers Dill & Pearman**

*Cayman Islands attorney-at-laws*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

<b>Legal advisers to the Sponsor, Joint Bookrunners and the Underwriters</b>	<i>As to Hong Kong Law</i> <b>Loeb &amp; Loeb LLP</b> <i>Solicitors, Hong Kong</i> 21/F, CCB Tower 3 Connaught Road Central Hong Kong
<b>Reporting accountants</b>	<b>BDO Limited</b> <i>Certified Public Accountants</i> 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Valuer</b>	<b>Peak Vision Appraisals Limited</b> <i>Property Valuer</i> 12/F, Effectual Building 14–16 Hennessy Road Wanchai Hong Kong
<b>Industry consultant</b>	<b>Frost &amp; Sullivan Limited</b> Unit 08, 26/F 9 Queen's Road Central Hong Kong
<b>Internal control consultant</b>	<b>BDO Financial Services Limited</b> 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Receiving bank</b>	<b>DBS Bank (Hong Kong) Limited</b> 16/F, The Center 99 Queen's Road Central Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Unit Nos. 1, 2, 3, 5, 6, 7 and 8, 10th Floor One Midtown No. 11 Hoi Shing Road Tsuen Wan New Territories Hong Kong
<b>Company's website</b>	<a href="http://www.winsongrouphk.com">www.winsongrouphk.com</a> <i>(Note: contents contained in this website do not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Chan Pui Shan, Bessie (ACIS, ACS) Flat E, 21/F., Rhine Terrace 28 Castle Peak Road Sham Tseng, New Territories Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Madam Ng Sing Mui No. 7, 25th Street Hong Lok Yuen Taipo New Territories Hong Kong  Ms. Sze Tan Nei Unit B, 23/F, Block 7B Oceanaire, 18 Po Tai Street Ma On Shan New Territories Hong Kong
<b>Compliance officer</b>	Ms. Sze Tan Nei
<b>Audit committee</b>	Mr. Chung Koon Yan ( <i>Chairman</i> ) Mr. Yuen Ching Bor Stephen Mr. Ma Kwok Keung Mr. Chan Chun Sing

## CORPORATE INFORMATION

<b>Remuneration committee</b>	Mr. Yuen Ching Bor Stephen ( <i>Chairman</i> ) Mr. Chung Koon Yan Ms. Sze Tan Nei
<b>Nomination committee</b>	Madam Ng Sing Mui ( <i>Chairperson</i> ) Mr. Yuen Ching Bor Stephen Mr. Ma Kwok Keung Mr. Wong Yat Sum
<b>Cayman Islands principal share registrar and transfer office</b>	<b>Codan Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>DBS Bank (Hong Kong) Limited</b> 16th Floor, The Centre 99 Queen's Road Central Central Hong Kong  <b>United Overseas Bank Limited Co.</b> 23/F, 3 Garden Road Central Hong Kong
<b>Compliance adviser</b>	<b>Messis Capital Limited</b> <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 1606, 16/F Tower 2, Admiralty Centre 18 Harcourt Road Hong Kong

## INDUSTRY OVERVIEW

*This section contains certain information which is derived from official government publications and industry sources as well as a report the Company commissioned from Frost & Sullivan, an Independent Third Party. The Company believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by the Company, the Sponsor, the Joint Bookrunners, the Underwriters or any other party involved in the Share Offer.*

*The information from official government publications may not be consistent with information available from other sources. The Company, its affiliates or advisers, the Sponsor, the Joint Bookrunners, the Underwriters or their affiliates or advisers, or any party involved in the Share Offer do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.*

*This section contains information extracted from the commissioned report from Frost & Sullivan which reflects research estimates of the market size, rankings and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of industry players, and is prepared primarily as a market research tool.*

## SOURCES OF INFORMATION

### **Frost & Sullivan**

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 45 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan is an Independent Third Party. The Company commissioned Frost & Sullivan to conduct market analysis of the Hong Kong environmental hygiene services and airline catering services industry, and produce the Frost & Sullivan Report at a total fee of HK\$340,000. The Company is of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report.

### **Frost & Sullivan report**

The Company has included certain information from the Frost & Sullivan Report in this prospectus because the Directors believe that such information facilitates an understanding of the relevant market for potential investors. The information, data and forecast contained in the Frost & Sullivan Report came from primary and secondary sources. The market research process for compiling the Frost & Sullivan Report involved: (i) desk research; (ii) client consultation to understand the background information about the Company; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to environmental hygiene services and airline catering support services providers and companies adopting such services.

## INDUSTRY OVERVIEW

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such report:

- the economy is assumed to maintain a steady growth across the forecast period;
- it is assumed that there is no external shock such as financial crisis or wide outbreak of diseases which will affect the demand and supply of environmental hygiene services in Hong Kong during the forecast period;
- the demand for environmental services in Hong Kong is assumed to be stable with more players entering the market; and
- it is assumed that increase in the space of residential area and office buildings, and increase in the number of shopping malls, as well as parks and recreational venues, in the next five years will drive the demand for environmental services in Hong Kong.

After taking reasonable care, the Directors confirm that to their knowledge there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have a material impact on the information in this section.

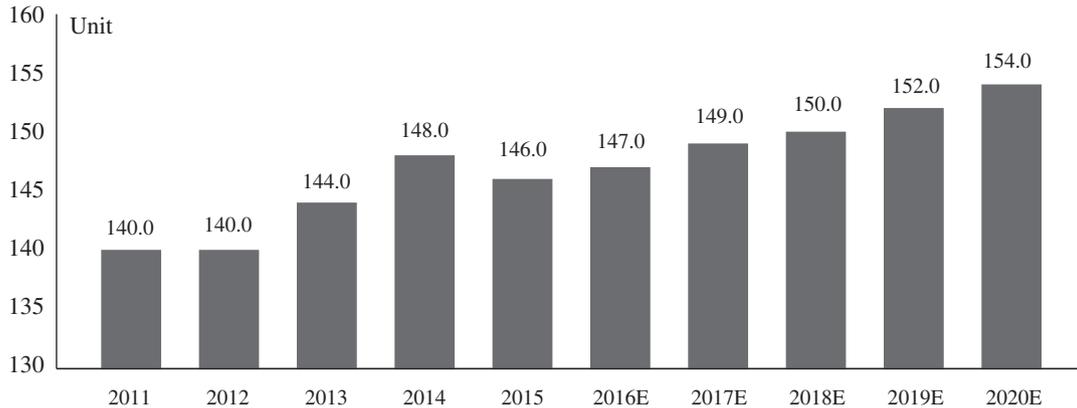
### **BUILDING AND SPACE EXPANSION IN HONG KONG**

From 2011 to 2015, the floor area of residential buildings has been growing steadily with a CAGR of approximately 1.0%. The space of residential buildings in Hong Kong in the end of 2015 was approximately 64.5 million sq.m.. With the shortage of residential units, it is expected that the Hong Kong Government will supply more land for residential use in the next 5 years in order to meet the housing needs. As the general living standard and income level of household are getting higher, it is anticipated that greater number of households will be willing to use residential cleaning services, resulting in a growth of environmental hygiene service industry.

The floor areas of commercial buildings and office buildings almost shared evenly from 2011 to 2013. However, as the retail sales were impacted greatly by the plunge in number of mainland visitors, the growth of commercial buildings have slowed down since 2014. In contrast, office properties draw attentions from investors as the investment value is very high. Therefore, it is estimated that the environmental hygiene service for office building submarket will have a brighter future owing to its higher forecasted CAGR of approximately 2.4%, comparing to the CAGR of approximately 1.1% from the commercial building submarket from 2016 to 2020. The space of private commercial and private office in Hong Kong in the end of 2015 was approximately 11.0 million sq.m. and 11.3 million sq.m..

## INDUSTRY OVERVIEW

**Number of shopping malls and centres (Unit), Hong Kong, (2011–2020E)**



Number of Shopping Malls and Centres	2011–2015	2016E–2020E
CAGR	1.1%	1.2%

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

With the recent frustration in performance of retailing business, the number of shopping malls and centers reduced in 2015 unexpectedly. The number of shopping malls and centers in Hong Kong in the end of 2015 was approximately 146. Whereas the domestic economy is still escalating in a steady pace, it is expected that the number of large-scale shopping venues would be still growing with a CAGR of approximately 1.2% from 2016 to 2020, which will also benefit to environmental hygiene services in shopping malls and centers.

In Hong Kong, parks, recreational venues & public places and universities aggregate over 30 million sq.m. of land. Despite a very mild rise in their numbers (5-year-CAGRs less than 0.5% from 2011 to 2015), the demand for environmental hygiene services for these segments are expected to have a steady but healthy growth of estimate CAGR of approximately 0.33% from 2016 to 2020.

### *Steady increases in passengers and railway cars*

From 2011 to 2015, the number of passengers taking MTR vehicles increased at a CAGR of 3.4% and the number of railway cars (domestic service, airport express and light rails) increased at a CAGR of approximately 2.8% during this historical period. The number of passengers and cars per day in Hong Kong in the end of 2015 was approximately 4,996,900 and 79,700, respectively. By 2020, it is estimated that they will grow at CAGR of approximately 2.3% and 2.2%, respectively, from 2016 to 2020. The market need will drive railway operator, to deploy environmental hygiene services in larger scale.

Currently, domestic rail, light rail and cross-boundary trains contribute more than 95% of passengers to MTR. As the MTR operator has a strict standard on the hygienic condition, thus the more the railway cars operate, the more the environmental hygiene services are needed.

## INDUSTRY OVERVIEW

### OVERVIEW OF THE ENVIRONMENTAL HYGIENE SERVICES INDUSTRY IN HONG KONG

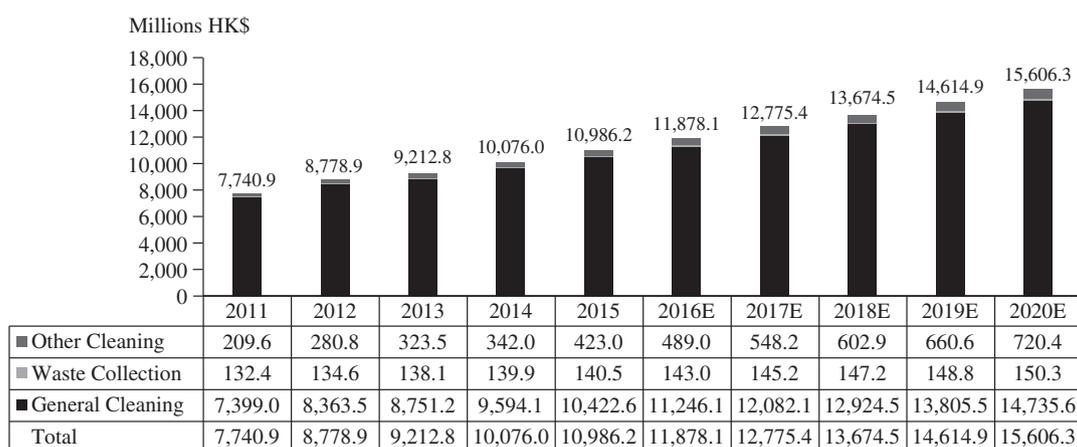
Environmental hygiene services in Hong Kong include the following significant service categories:

<b>Key service categories</b>	<b>Service areas include</b>
General cleaning service	Floor surfaces and carpets, glass surfaces, kitchens, offices, pest management, stone maintenance and exterior wall cleaning service
Waste management service	Collection of recyclable items, collection and disposal of liquid waste, industrial and solid waste, composite waste management and water tanks rinsing service
Other services	One-off post-construction cleaning, car park cleaning, cleaning equipment supply and room service

### Environmental hygiene service industry revenue from 2011 to 2020

In spite of the influence of economic fluctuation, the market size of environmental hygiene services in Hong Kong experienced a growth rate of approximately 9.1% from approximately HK\$7,740.9 million in 2011 to HK\$10,986.2 million in 2015, according to the Frost & Sullivan Report. Driven by the increasing public awareness in environmental hygiene of Hong Kong people due to the outbreaks of diseases in the past and the rising number of both commercial and residential buildings, the market size of environmental hygiene services is expected to further expand to approximately HK\$15,606.3 million in 2020, representing a CAGR of approximately 7.1% from 2016 to 2020.

#### Market size of the hygiene service market (Hong Kong) by revenue, 2011–2020E

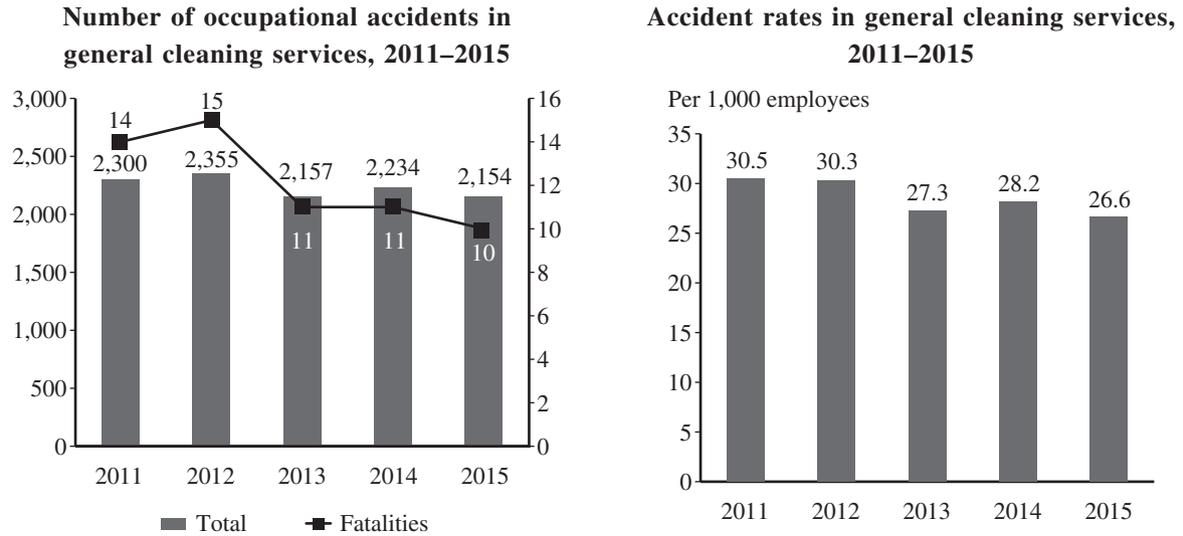


Market size	2011–2015	2016E–2020E
CAGR	9.1%	7.1%

Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Casualties in environmental hygiene service industry



*Notes:*

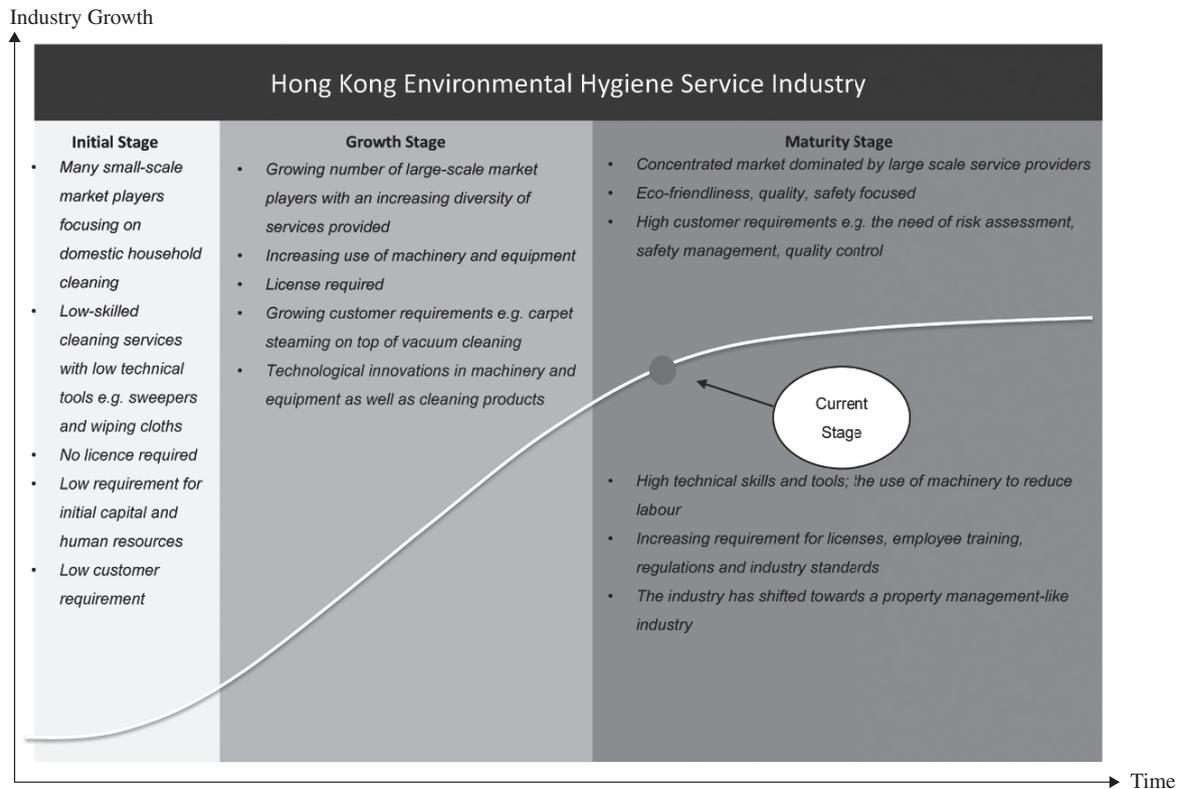
1. Figures represent staff working in general cleaning services excluding waste management services.
2. The latest available data is as of 2015.

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

### Development history and industrial value chain analysis

According to the Frost & Sullivan Report, the environmental hygiene service industry in Hong Kong is currently in the maturity stage, with a concentrated market dominated by large-scale service providers, high customer requirements, high technical skills and tools and increasing requirement for licences, employee training, regulations and industry standards.

## INDUSTRY OVERVIEW



Source: Frost & Sullivan

### Market drivers

#### *Increasing hygiene awareness due to past disease outbreaks*

The main driver for the environmental hygiene service industry is the increasing public awareness of hygiene and demand for hygiene services. Since the outbreaks of severe acute respiratory syndrome in 2003 and swine flu (H1N1) in 2009 as well as the influenza H7N9 in 2011, there has been an increasing public awareness and standard of environmental hygiene which have accelerated the demand for well-equipped and well-trained service providers. Hence, the development of environmental hygiene service industry has seen an explosive surge.

#### *Rising number of residential, commercial and office buildings in Hong Kong*

Since 2003, the boom in Hong Kong tourism industry has lifted the demand for hotel rooms and shopping malls, hence increasing the number of newly constructed buildings and driving the demand for environmental hygiene services. On the other hand, Hong Kong has seen a structural change in its economy by putting more emphasis on value-added activities. Many local and international firms have set up their offices in Hong Kong, therefore increasing the demand for office buildings. In order to maintain the appearance and image of the buildings, property owners or management usually have a high requirement for the quality of services. This stimulated the development of higher quality hygiene services within the industry.

## INDUSTRY OVERVIEW

### *Lacking one-stop comprehensive service providers within the industry*

In Hong Kong, the scale of environmental hygiene service providers can vary from 10 to 30 employees for small firms to thousands of employees for large firms, where large firms usually provide services for the Hong Kong Government and property management companies whilst small firms provide services for individual commercial units and domestic families. As different services require various set of skills and specialties, the existing market is still lacking service providers that provide a comprehensive service which brings development potentials to the industry.

### *Government regulations on environmental hygiene control*

The past disease outbreaks have raised the Hong Kong Government's attention to public health and hygiene issues. Ever since, it has emphasised on public hygiene control to avoid future large-scale outbreaks. Different governmental departments and enterprises continued to implement procedures and practices in public places. For example, the Centre for Health Protection was set up in 2004 to strengthen the capacity of Hong Kong's public health system to deal with public health challenges. In addition, fixed penalty fines have been increased to HK\$1,500 for littering and spitting since 2003. The Hong Kong Government even stressed that any television advertisements or scenes showing coughing and sneezing must demonstrate the action of covering mouth and nose. These practices have favoured the development of environmental hygiene service industry. Other policies also include waste and recycling management such as the Hong Kong Government's target to reach a recycling rate of approximately 55.0% by 2022. In its 2014 Policy Address, the Hong Kong Government planned to invest HK\$1.0 billion on waste recycling including the set up of environmental stations in each district and the promotion of environmental protection through public education.

### **Market trends**

#### *Increasing service outsourcing*

Due to the rising number of residential and commercial buildings and also office buildings in Hong Kong, the demand for environmental hygiene services also followed the trend. Recently, it has seen that hotels and serviced apartments have outsourced their room service to third-party cleaning companies. In order to reduce its own labour costs and capital investment in cleaning equipment, owners and property management of these buildings are expected to increase their demand for cleaning service outsourcing. Therefore, this would bring substantial growth to the local environmental hygiene service industry.

#### *Higher customer requirement*

Since the development stage of Hong Kong environmental hygiene service industry, customer requirements and expectations for cleaning services have surged. Cleaning services no longer involve only low-skilled general cleaning, the scope of services has evolved into a wider context, including pest management, waste management and exterior wall cleaning as well as marble maintenance. It is expected that customer requirements will persist to increase and develop in diversity in the future. Therefore, the coming years will see more companies offering comprehensive services to meet customer needs.

## INDUSTRY OVERVIEW

### *Rising labour costs*

Based on the past trends of statutory minimum wage, it is expected that the Hong Kong Government, undoubtedly, will be very likely to continue to raise the statutory minimum wage once in every few years to meet the rising inflation rate. However, a small increase in wages would imply additional hidden costs and chained reactions on companies' operations. As a result, environmental hygiene service providers will be likely to increase their service charges in order to remain or improve their service quality to stay in the competition.

### *Industry consolidation*

In Hong Kong, the Hong Kong Government and property management companies select their environmental hygiene service providers through tendering. These service providers need to fulfil a set of requirements in order to win contracts. As the revenue sources of the industry mainly come from government projects and those from property management companies, the local industry would gradually be dominated by large-scale service providers who have established a sustainable long-term relationship with these high valued clients. In other words, market concentration is expected to increase in the future and small companies will be forced to exit the market.

### **Major opportunities in the environmental hygiene service market in Hong Kong**

#### *Growing potentials in highly technical services*

The traditional environmental hygiene service industry was mainly about simple and general cleaning. However, in recent years, it has been gradually evolving into a wider spectrum of technical services coverage such as pest management, exterior wall cleaning and waste management etc., generating a lot of development potentials and opportunities in these high valued areas. As the general cleaning market is increasingly saturated with profit margin narrowing down, technical and high-valued services are expected to see an explosive growth in the future and are very likely to lead the overall industry expansion.

#### *Growing potentials in recycling and waste management services*

With increasing concerns over environmental issues and land supply, the Hong Kong Government has put substantial effort into the implementation of waste management and recycling policies. In the near future, the demand for recycling and waste management services will see a climb, creating opportunities for service providers to expand into those areas catering customer needs.

### **Major threats affecting environmental hygiene service market in Hong Kong**

#### *Labour shortage*

Despite the fact that the requirement for the environmental hygiene service industry remains low, high working hours and heavy workload lead to a high occupational mobility and hence labour shortage within the industry. The problem was intensified by the introduction of the statutory minimum wage policy by the Hong Kong Government as workers now have more choices and are more willing to take

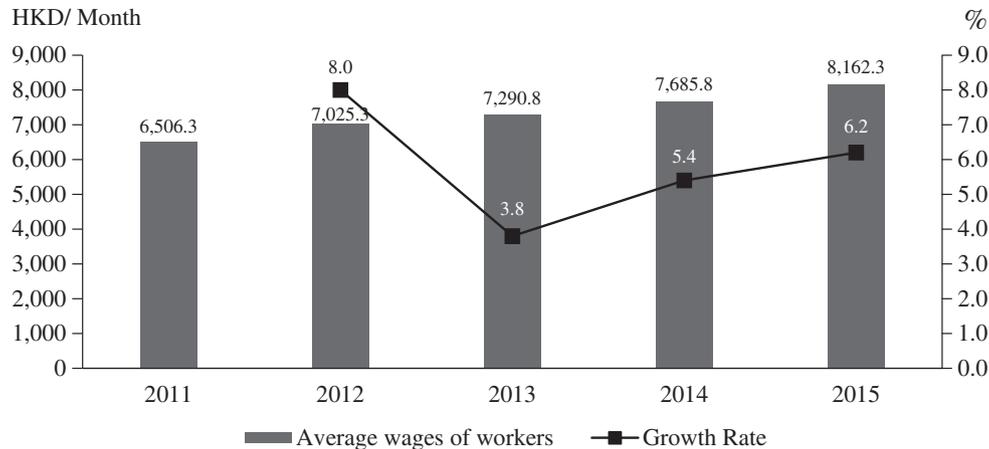
## INDUSTRY OVERVIEW

less intense but with similar paying jobs like security guard rather than being a cleaner. As the industry demands for more labour to meet customer needs, labour shortage imposes great challenges and threats on environmental hygiene service companies.

### *Increasing operating costs and narrowing profit margin*

The increasing statutory minimum wage has laid substantial cost pressure upon service providers reducing their profit margin because companies have to raise wage rate in order to attract workers. The average monthly wages of workers in Hong Kong has experienced constant growth for the past five years from approximately HK\$6,506.3 in 2011 to HK\$8,162.3 in 2015, growing at a CAGR of approximately 5.8%. Further, the Standard Working Hours policy being proposed is expected to raise operating costs as full-time workers will be replaced by part-time workers who are paid at an hourly rate.

**Average monthly wages of workers, Hong Kong, 2011–2015E**



**2011–2015**

CAGR 5.8%

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

### *Impact of law, policy and regulation*

The Hong Kong Government raised statutory minimum wage from HK\$28.0 per hour in 2011 to HK\$32.5 in 2015. The nature of the environmental hygiene service industry requires the workers to work long hours, carrying out manual labour work and working in shifts. The longer working hours, intensive manual labour work and relatively more competitive pay from other industries, such as security guard services, have led to a low retention rate among the workers in the environmental hygiene service industry. With the implementation of statutory minimum wage, there are other choices of higher-paying jobs for workers, who may be driven away from the environmental hygiene service industry. This poses a threat to the manpower supply to the industry. In addition, the application of Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong) adds further costs for the environmental hygiene service providers in Hong Kong in order to make sure that their frontline workers follow every safety procedure by providing on-the-job training and education.

## INDUSTRY OVERVIEW

Moreover, another characteristic of the industry is that part-time workers are hired during peak season or for a new project tendered that requires extra manpower. This group of highly mobile temporary workers together with the nature of the industry adds to the relatively high turnover rate.

### COMPETITION

#### Competitive landscape

##### *Overview*

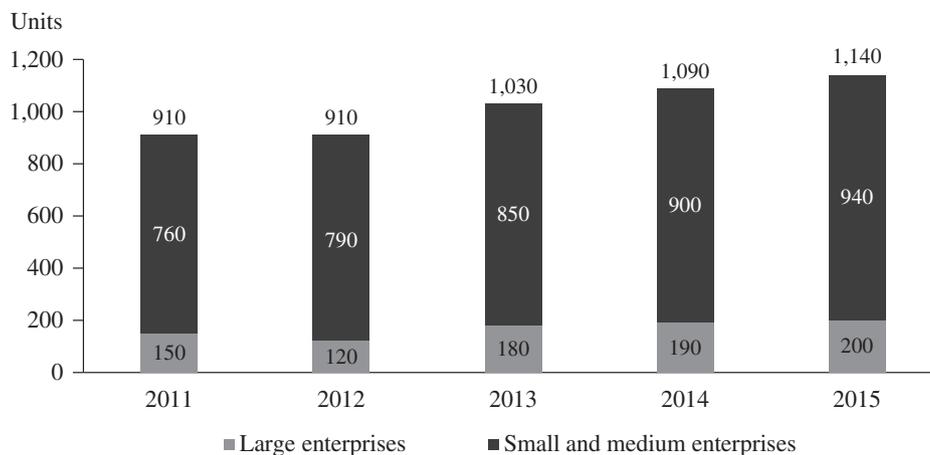
In Hong Kong, less than 20% of environmental hygiene service enterprises hire more than 50 employees in recent years. However, almost 90% of the grand total revenues of this industry are generated by those predominant players. In 2014, approximately 89.3% of the market revenue is contributed by approximately 17.6% companies with extensive market reach. It is possible that a trend of industry consolidation is developing as the number of large-scale firm was getting less while the total revenue generated was still growing from 2013 to 2014.

The market concentration of environmental hygiene service market is high, with an aggregate market share of approximately 59.2% coming from the top 10 players in 2015. The Company ranked 6th among top 10 players, in terms of revenue taking up approximately 3.8% of entire market.

##### *Total number of environmental hygiene service enterprises in Hong Kong*

The number of environmental hygiene service enterprises in Hong Kong has maintained a momentum of growth with annual growth rate of approximately 5.8% from 2011 to 2015. Since 2013, most of the new establishments are small and medium scale enterprises, and only a small amount of percentage of companies have managed to expand business scales as well as service coverage, in both service diversity and level of sophistication. With sufficient capital, larger market players are still the major stakeholders in this labour-intensive industry.

**Number of environmental hygiene service enterprises, Hong Kong (2011–2015)**



Source: HKSAR Census and Statistics Department, Frost & Sullivan

## INDUSTRY OVERVIEW

### *Major service providers*

<b>Ranking</b>	<b>Company</b>	<b>Market share (%)</b>	<b>Company background</b>
1	Company A	12.7	Founded in Denmark and started business in Hong Kong in 1995.
2	Company B	9.1	It is a hygiene service provider in Hong Kong with large staff scale. Its main clients are the Hong Kong Government, large enterprises, campuses and non-governmental organisations.
3	Company C	8.7	It is a Hong Kong listed company providing cleaning, pest management, horticulture & landscaping and waste collection & recycling services.
4	Company D	6.8	It has over 5,500 staff and its services covered the Hong Kong Government, retailers, transportation, estates, etc.
5	Company E	5.0	It is a wholly owned subsidiary of a properties developer with over 4,000 staff.
6	The Company	3.8	N/A
7	Company F	3.5	It is a flagship company of property services company with over 2,800 staff.
8	Company G	3.3	It is a service provider with over 2,700 cleaning staff.
9	Company H	3.2	It provides general cleaning and waste management services for Hong Kong Government, universities and property management companies with over 2,000 staff.
10	Company I	3.1	It mainly covers general cleaning services for public area and transportation as well as waste disposal services and pest management.
	Sub-total of top 10	59.2	
	Others	<u>40.8</u>	
	Total	<u><u>100.0</u></u>	

*Note:* The revenue of the market players are estimated on annual pro-rata basis.

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

## INDUSTRY OVERVIEW

### **Entry barriers**

According to the Frost & Sullivan Report, the industry is not difficult to enter but hard to sustain due to increasing cost pressure, government policies and fierce competition.

#### *High initial capital and cost pressure*

The environmental hygiene service industry is a labour-intensive one where 70 to 80% of total operating cost comes from labour. During 2011 to 2015, the Hong Kong Government has increased the statutory minimum wage twice, from an hourly rate of HK\$28.0 in 2011 to HK\$32.5 in 2015, which greatly raised the operating costs and imposed pressure on the service providers. In addition, costs of machinery, raw materials, equipment as well as insurance also share a significant portion of total operating costs and some of the machinery require licences and regular training. For new entrants lacking in financial resources, high initial capital is a major obstacle which prevents them from entering the market.

#### *Word of mouth, reputation, client portfolio and branding of the existing players*

For Hong Kong environmental hygiene service industry, tendering is the main recruiting channel to elect a service provider for large-scale service users, such as the Hong Kong Government, developers and property management companies. Their choosing criteria is mainly based on client portfolio, brand and reputation as well as word of mouth of these service providers as large service users tend to stay with one approved service provider for a long period of time, usually for 3 to 5 years. This imposes increasing entry barriers for new entrants to compete with existing players who have established good reputation and long-term customer relationship, hence driving them out from the market.

#### *High requirement for high-level management efficiency*

In order to manage labour and materials more efficiently and effectively, sophisticated management and operational systems are highly required. In general, large-scale service providers operate under a tier system: frontline workers (e.g. cleaners), foreman (e.g. operational managers) who supervise and educate workers in safety issues and the top management who control the overall quality of services. This imposes structural and operational challenges on new entrants as start-up companies usually lack capital and human resources to satisfy large-scale clients. Therefore, even if small entrants have enough initial capital to start up, inefficient management could restrict their growth.

### **Competitive advantages of the Group**

According to the Frost & Sullivan Report, the Group has the following competitive advantages when compared to the competitors in the environmental hygiene service industry.

#### *Management*

The management team of the Group possesses in-depth industry knowledge and extensive project management experiences. In addition, efficient operational systems have been established including four layers: frontline workers, foreman, supervisor and the top management. Tender, quotation, budgets and approval are strictly executed by the senior management level.

## INDUSTRY OVERVIEW

### *Personnel*

Employees in the Group are required to hold relevant certificates, such as pest control management certificates and completion of height safety training course. In addition, the Group has established an in-house training system and introduced an exclusive safety officer to educate frontline workers.

### *Quality*

The Group has established its reputation in the industry with proven track record. Its 7/24 standby service and ability to arrive on site within 30 to 45 minutes have created strong competitive advantages over peers. In addition, the Group has certified to be in compliance with the standards of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

### *Business network*

Most of the senior management team members have extensive experience in the industry, enhancing the formulation of competitive tenders as well as company strategies. Existing stable customer base can help further develop new business opportunities through cross-selling comprehensive range of service packages.

## OVERVIEW OF AIRLINE CATERING SUPPORT SERVICE INDUSTRY IN HONG KONG

Airline catering support services refer to services provided during the process of tray-setting, which include quality checking, packaging, food placing and food cart transporting. It is provided by a third party to catering operators in aviation industry in order to improve the hygiene standards and efficiency for their kitchens and food preparation. Catering operators are usually capable of providing such services internally. However, they would still outsource a part of the tasks to third parties to minimise the operational risk and achieve higher efficiency and effectiveness.

### **Market drivers**

#### *Increasing flight passenger volume in Hong Kong*

The economy of Hong Kong has been experiencing recovery from the economic crisis in 2008 and on-going improvement has been seen in the past few years. In the future, it sees a steady growth in nominal GDP at a CAGR of 7.2% from 2016 to 2020. In addition with the changes in the consumption structure, domestic residents are more willing to spend income on leisure travel. According to Hong Kong Civil Aviation Department, the number of passengers departing from Hong Kong in 2015 increased by 29% compared with 2011, and in the first two months of 2016, Hong Kong International Airport handled 11.6 million passengers. On a 12-month rolling basis, Hong Kong International Airport will handle 69.5 million passengers, making a year-to-year increase of 8.4%. It is also predicted to grow continuously in foreseeable future. Airline catering support service market will therefore be driven by the increasing passenger volume.

## INDUSTRY OVERVIEW

### *Strengthening hygiene awareness among the public*

Hygiene has always been one of the major concerns of airline catering industry. Passengers expect a very high hygiene standard on the food they have on-board. Since the outbreaks of severe acute respiratory syndrome (2003), swine flu (2009), H7N9 (2011) and other contagious diseases, as well as scandals happened in 2010 about some airline caterers' kitchens with disappointing poor sanitary conditions, there has been further strengthened public hygiene requirements on in-flight meals. The needs of such specialist-services are expected to rise among airlines, making it a key driver to the growth of airline catering support service market.

### *Surging demand for labour assisting the rapid growth of airline catering market*

With the fierce competition in the civil aviation industry, especially after the rising of low cost carriers, airlines are not only focusing on lowering flight ticket price to increase market share but also seeking for differentiation in terms of their in-flight services. Catering service has become an increasingly important choosing criteria for passengers. Airline caterers, under the growing pressure of providing superior services, intend to outsource some labour intensive services to third parties in order to pursue lower costs on equipment and staffing, and to achieve higher efficiency and effectiveness.

### **Market trends**

#### *More partnership with large carriers*

To respond to the climbing labour costs in global market, airlines are establishing partnerships or alliances to maintain the quality of services and peripheral activities. Engine overhaul services, baggage handling services and catering services are examples of services that are shared among airline partnerships or alliances. Airline caterers will therefore provide services to multiple airlines at once rather than entering agreement with airline separately. The trend will also affect the business of airline catering support service providers in terms of, for example, the scope and quality of service offered.

#### *Increasing individualisation*

As the competition is getting fiercer among commercial airlines, some airlines are providing meals based on passengers' orders rather than preparing fixed meal plans. Customised service is the future trend of on-board offerings. It will have impact on airline catering support service provider because the diversity of meal choices require different handling and hygiene conditions, varying packaging and storage methods, and even transporting equipment. It is certainly one of the challenges that market players should cope with in order to survive.

#### *Being eco-efficiency and sustainability*

Eco-efficiency and corporate social responsibility are playing important roles for companies when they are building reputation in the market and search for economic benefits. Carbon efficiency, reducing emissions, and using environmental friendly materials are key aspects of sustainability. For airline catering support service providers, the effort put in being "green" will increase. For example, the materials for food package, the technology and energy utilised to store and deliver meals will require to be more eco-efficient.

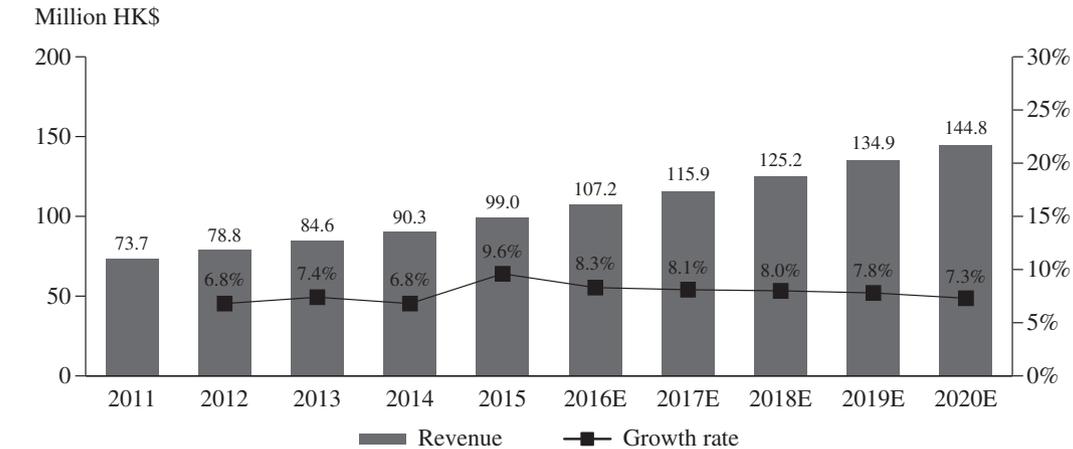
## INDUSTRY OVERVIEW

### Historical and forecasted revenue

From 2011 to 2015, the number of aircrafts taking off from Hong Kong increased at a CAGR of 5.0% and the number of passengers departing from Hong Kong increased at a CAGR of 6.6% during the same historical period. The increasing market demand drove up the businesses of airline caterers as well as the outsourced support service providers. It led to a growth in the market of airline catering support service in Hong Kong at a CAGR of 7.6% from approximately HK\$73.7 million in 2011 to approximately HK\$99.0 million in 2015. The revenue derived from airline catering support services of the Group was approximately HK\$34.5 million for the year ended 31 March 2016, representing approximately 34.8% market share in airline catering support service market in 2015.

With the steady growth in Hong Kong economy and changes in the public's consumption structure, the volume of passengers is expected to rise in the next five years. Also driven by higher awareness of hygiene, the market size of airline catering support service expects a further growth to approximately HK\$144.8 million in 2020, representing a CAGR of 7.8% from 2016 to 2020.

### Market size of the airline catering support service market by revenue, Hong Kong, 2011–2020E



Total	2011–2015	2016E–2020E
CAGR	7.6%	7.8%

Source: Frost & Sullivan

## **REGULATORY OVERVIEW**

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

### **REGULATIONS RELATING TO OPERATIONS OF BUSINESS**

#### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

The Business Registration Ordinance requires every entity that carries on a business in Hong Kong to apply for business registration within 1 month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

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

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is 16.5%. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

#### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Competition Ordinance is designed to promote competition and prohibit anti-competitive practices. It prohibits three types of anti-competitive conduct described under the First Conduct Rule, the Second Conduct Rule and the Merge Rule which are collectively known as the "competition rules". Examples of conduct which may contravene the Competition Ordinance include agreeing with competitors to fix prices, share markets, rig bids or restrict output. Penalties include fines of up to 10% of the guilty party's Hong Kong based turnover for up to three years of the period during which the guilty party committed such behavior. Other penalties may include the disgorgement of unlawful profits, positive or negative injunctive relief, invalidation of anticompetitive agreements and the disqualification of the directors involved in anti-competitive conduct.

The First Conduct Rule prohibits anti-competitive agreements while the Second Conduct Rule prohibits abuse of market power.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the object or effect is to harm competition in Hong Kong. Generally speaking, the First Conduct Rule disallows any arrangement between businesses in the market (whether they are competitors or not), which prevent, restrict or distort competition in Hong Kong. Whether the object of an agreement is anti-competition is to be determined by objective assessment. Agreement to fix prices, to share markets, to restrict output or to rig bids generally speaking are harmful to competition.

## **REGULATORY OVERVIEW**

Generally speaking, the Second Conduct Rule (i) prohibits businesses with a substantial degree of market power from abusing that power by engaging in conduct that has the object or effect of harming competition in Hong Kong; and (ii) disallows big businesses using their positions or market shares to jeopardize competition such as using a price lower than market price to drive out other competitors. The following are non-exhaustive examples of abuse of substantial degree of market power: (a) predatory pricing: to set the price so low to force out competitors; (b) tying and bundling to harm the competitors for other products of the same bundle; (c) margin squeeze; (d) refusal to deal; and (e) exclusive dealing.

### **REGULATIONS RELATING TO LABOUR, HEALTH AND SAFETY**

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

The Employment Ordinance is a main piece of legislation governing conditions of employment in Hong Kong.

Section 43C of the Employment Ordinance provides that the principal contractor and/or every superior sub-contractor shall jointly and severally be liable to pay wages due to sub-contractor's employees for performing any sub-contracted work, if the said wages are not paid within the prescribed period under the Employment Ordinance.

However, the said principal contractor and/or every superior sub-contractor may recover such payment of wages from the sub-contractor, who hires the said employees, pursuant to section 43F of the Employment Ordinance.

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

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

Section 40 of the Employees' Compensation Ordinance provides that employers must take out insurance policies to cover liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees, regardless of the length of the employment contract or working hours, full-time or part-time employment.

Under section 24 of Employees' Compensation Ordinance, a principal contractor is liable to pay compensation to its sub-contractor's employees if the said employees are injured at work which the sub-contractor was contracted to perform. However, the principal contractor may recover such compensation from the sub-contractor who would have been liable to compensate the injured employees.

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

The Minimum Wage Ordinance sets out a prescribed minimum hourly wage rate for employees (other than employees who are covered by section 7 of the Minimum Wage Ordinance) who are engaged under an employment contract, which has been increased to HK\$32.5 per hour since 1 May 2015.

## REGULATORY OVERVIEW

Any provision of the employment contract which extinguishes or reduces the employee's right, benefit or protection as provided by the Minimum Wage Ordinance is void.

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

The Mandatory Provident Fund Schemes Ordinance is an ordinance for the purpose of providing for the establishment of the non-governmental mandatory provident fund schemes. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age are required to join a mandatory provident fund scheme.

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

The purpose of the Occupational Safety and Health Ordinance is to ensure the safety and health of employees when they are at work. It is applicable to, with only a few exceptions, all employers and occupier of premises where workplaces are located.

Particularly, every employer must as far as reasonably practicable:

- provide and maintain plant and systems of work that are safe and without risks to health;
- make arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- provide necessary information, instruction, training and supervision to ensure safety and health at work;
- keep the workplace and provide and maintain means of access to and egress from the workplace in a condition which is safe and without risks to health, if the workplace is under the employer's control; and
- provide and maintain a working environment safe and without risks to health.

An employee while at work also need to take care for the safety and health of persons who are at the employee's workplace and who may be affected by the employee's acts or omissions at work. In addition, an employee must co-operate with his employer or other person so far as may be necessary to enable requirement imposed in the interests of safety or health.

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

The Factories and Industrial Undertakings Ordinance applies to industrial undertakings, such as factories, construction sites, catering establishments, cargo and container handling undertakings, repair workshops and other industrial workplaces.

Under this ordinance, a "proprietor" in relation to any industrial undertaking or notifiable workplace includes the person for the time being having the management or control of the business carried on in such industrial undertaking or notifiable workplace.

## REGULATORY OVERVIEW

A proprietor must as far as reasonably practicable:

- provide and maintain plant and systems of work that are safe and without risks to health;
- make arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- provide necessary information, instruction, training and supervision to ensure health and safety at work of all persons employed at the industrial undertaking;
- keep any part of the industrial undertaking under the proprietor's control safe and without risks to health and provide and maintain means of access to and egress from it in a same condition; and
- provide and maintain a working environment that is safe and without risks to health.

### **Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Chapter 59AC of the Laws of Hong Kong)**

The Factories and Industrial Undertakings (Suspended Working Platforms) Regulation lays down legal requirements for testing, examination and use of suspended working platforms utilised for carrying persons to work at height.

Owners (including lessees, hirers, and any overseer, foreman, agent or person in charge or having the control or management) of suspended working platforms must ensure that the suspended working platforms are constructed, installed, maintained and examined properly.

In addition, owners may also need to ensure that every person working on the suspended working platforms shall be at least 18 years old and have undergone recognised training and received a certificate of such training.

### **Factories and Industrial Undertakings (Confined Spaces) Regulations (Chapter 59AE of the Laws of Hong Kong)**

The Factories and Industrial Undertakings (Confined Spaces) Regulation is applicable to work in an industrial undertaking that takes place within a confined space or its immediate vicinity provided that it is associated with work occurring within the confined space.

The confined space includes any chamber, tank, vat, pit, well, sewer, tunnel, pipe, flue, boiler, pressure receiver, hatch, caisson, shaft or silo where a reasonably foreseeable specified risk arises.

When work is to be undertaken in a confined space, a proprietor or contractor shall appoint a competent person to carry out an assessment of the working conditions in the confined space and make recommendations on measures to be taken in relation to safety and health of workers while working in that space.

Workers in a confined space shall have attained the age of 18 and hold a certificate issued by a person whom the Commissioner for Labour has authorised to certify the competence of the workers.

## **REGULATORY OVERVIEW**

### **REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION, WASTE DISPOSAL AND RECYCLE**

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

Section 9 of the WDO allows the Collection Authority to provide service for the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste.

Section 10 of the WDO provides that the Collection Authority may, by licence, permit any person to provide services for all or any of the matters referred in Section 9 of the WDO.

Section 11 of the WDO prohibits the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste by any person or entities unless such person or entity is licensed by the EPD or the FEHD.

Section 12(1) of the WDO provides that it shall not be an offence under section 11 of the WDO for an occupier of any building, or any person responsible for the management of any building, to remove household waste from any building if:

- (a) the Collection Authority or any person holding a waste collection licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the authority or person provides that service under section 9 or section 10 of the WDO; or
- (b) no such service for the removal of household waste is provided by the Collection Authority or a person holding a waste collection licence.

### **REGULATIONS RELATING TO STORAGE AND USAGE OF CHEMICAL SUBSTANCE**

#### **Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong)**

The handling of pesticides in Hong Kong is regulated by the Pesticides Ordinance.

Under the Pesticides Ordinance, a “registered pesticide” refers to a pesticide which is registered in the register maintained by the Director and the Deputy Director of Agriculture, Fisheries and Conservation in accordance with section 4 thereof. An “unregistered pesticide” means a pesticide which is not registered in the said register. And, a “scheduled pesticide” means an unregistered pesticide specified in schedule 1 and/or part 1 of schedule 2 of the same ordinance.

As for registered pesticides, a user who is not engaged in the trade or business (whether for wholesale, retail, selling, offering or exposing for sale, supplying or offering to supply) does not need to obtain a licence, so long as he acquires the registered pesticides for his own use.

In contrast, except under and in accordance with a permit, any person must not be in possession of or use a scheduled pesticide or any other unregistered pesticide.

## REGULATORY OVERVIEW

### **Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)**

The Dangerous Goods Ordinance provides that, except under and in accordance with a licence, no person shall manufacture, store, convey or use any dangerous goods including but not limited to explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature and radioactive material.

The Dangerous Goods (Application & Exemption) Regulations and the Dangerous Goods (General) Regulations provide for some exempted categories and quantity of the dangerous goods, the storage, use and conveyance of which may not require a licence.

## HISTORY, DEVELOPMENT AND REORGANISATION

### BUSINESS DEVELOPMENT

The history of the Group can be traced back to 1983 when Madam Ng, the chairperson, an executive Director and one of the Controlling Shareholders and Mr. Sze, the spouse of Madam Ng, founded Winson Cleaning, which started off as a cleaning service provider in Hong Kong. Please refer to the section headed “Directors and senior management” in this prospectus for details relating to the qualifications and experience of Madam Ng.

### MAJOR MILESTONES

Set out below is a summary of the major milestones of the Group’s development:

<b>Year</b>	<b>Milestone</b>
1983	Madam Ng and Mr. Sze founded Winson Cleaning, which was initially established as a cleaning service provider.
1993	Winson Pest Control was established to provide pest control services.
1996	The Group was first awarded a Tender Contract from a mass transit transportation operator in Hong Kong for provision of environmental hygiene services.
2000	The Group first obtained ISO 9001 accreditation from TÜV Rheinland.
2001	The Group first obtained ISO 14001 accreditation from TÜV Rheinland.
2002	The annual revenue of Winson Cleaning first exceeded HK\$100.0 million.
2004	“  ” trademark was registered in Hong Kong.
2007	The service area of a single Tender Contract of the Group for provision of environmental hygiene services in a commercial centre first exceeded 1.3 million sq.ft.
2008	The Group first obtained OHSAS 18001:2007 accreditation from Hong Kong Quality Assurance Agency.
2011	The annual revenue of Winson Cleaning first exceeded HK\$200.0 million.
2013	The Group commenced the provision of airline catering support services.
2014	The annual revenue of Winson Cleaning first exceeded HK\$300.0 million.
2014	The Group was awarded certificate of appreciation of employing people with disabilities by Selective Placement Division Labour Department.
2015	The Group was awarded Honorary Certificate 2015 for 3 years of excellence performance during the sustainability projects and management process by Hong Kong Environmental Protection Association.
2016	The Group was awarded 2016/17 Caring Company (5 Years+) by The Hong Kong Council of Social Service.
2016	The Group’s annual revenue first exceeded HK\$400.0 million.

## HISTORY, DEVELOPMENT AND REORGANISATION

### PRINCIPAL OPERATING SUBSIDIARIES

The following table sets out details of wholly-owned subsidiaries of the Company:

Name	Place of incorporation	Date of incorporation	Issued share capital/registered capital as at the Latest Practicable Date	Principal business activities
Winson Group HK	BVI	28 November 2014	US\$1	Investment holding
Winson Cleaning	Hong Kong	9 December 1983	HK\$6,000,000	Provision of environmental hygiene and related services
Winson Pest Control	Hong Kong	28 September 1993	HK\$8,275,000	Provision of pest management services
Wealthy Strong	Hong Kong	24 October 1991	HK\$6,652,026	Property holding

### CORPORATE DEVELOPMENT

#### The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2016. Upon completion of the Reorganisation as detailed in the paragraphs headed “Reorganisation” in this section, the Company became the ultimate holding company of the Group. For details of changes in the share capital of the Company, please refer to the paragraphs headed “A. Further information about the Company — 2. Changes in share capital of the Company” in Appendix V to this prospectus.

#### Winson Cleaning

On 9 December 1983, Winson Cleaning was incorporated in Hong Kong with an authorised share capital of HK\$100,000 comprising 1,000 ordinary shares of HK\$100 each and one subscriber share was issued and allotted to each of Mr. Sze and Madam Ng for cash at par. Winson Cleaning provides environmental hygiene services to its customers.

After several increases of authorised share capital, allotments of shares to Madam Ng and Mr. Sze and transfers of shares between Madam Ng and Mr. Sze, on 19 March 2007, Winson Cleaning was owned as to approximately 99.99% (20,999 shares) and 0.01% (1 share) by Madam Ng and Mr. Sze respectively. On 20 March 2007, the authorised share capital of Winson Cleaning was increased from HK\$2,100,000 to HK\$6,000,000 by the creation of additional 39,000 ordinary shares of nominal value of HK\$100 each. On the same day, Winson Cleaning issued and allotted 39,000 shares, representing 65% of its enlarged issued shares, to Winson Group Holdings (a company then wholly-owned by Madam Ng) for cash at par. After the said allotment, Winson Cleaning was owned by Winson Group Holdings, Madam Ng and Mr. Sze as to 65% (39,000 shares), approximately 34.99% (20,999 shares) and approximately 0.01% (1 share) respectively.

On 30 March 2007, due to internal reorganisation, Madam Ng and Mr. Sze transferred 20,999 shares and 1 share of Winson Cleaning respectively, representing approximately 34.99% and 0.01% of the issued share capital of Winson Cleaning respectively, to Winson Group Holdings (a company then

## HISTORY, DEVELOPMENT AND REORGANISATION

owned by Madam Ng and Mr. Sze as to 1 share each) at a cash consideration of HK\$2,099,900 and HK\$100 which was determined based on the paid up amount of such shares. Both the consideration had been settled. After the said transfers, Winson Cleaning was 100% beneficially owned by Winson Group Holdings. Mr. Sze held 1 share of Winson Cleaning on trust for Winson Group Holdings pursuant to a declaration of trust dated 30 March 2007. In November 2014, Mr. Sze left Winson Cleaning for concentration of development of his PRC business.

On 26 March 2015, as part of the Reorganisation, Winson Group Holdings and Mr. Sze (as trustee for Winson Group Holdings) transferred their respective 59,999 shares and 1 share of Winson Cleaning to Winson Group HK at a total consideration of HK\$1. Subsequent to the above share transfers, Winson Cleaning has been 100% legally and beneficially owned by Winson Group HK.

### **Winson Pest Control**

On 28 September 1993, Winson Pest Control was incorporated in Hong Kong with an authorised share capital of HK\$300,000 divided into 300,000 shares of HK\$1 each. One subscriber share was taken by each of Mr. Sze and Madam Ng on 28 September 1993 for cash at par. Winson Pest Control provides pest management services to its customers.

On 21 October 1993, Winson Pest Control issued and allotted 99,998 shares representing approximately 99.99% of its issued shares to Winson (Wai Lun) Group Limited (later known as Winson (Wayland) Group Limited and dissolved on 12 September 2008) for cash at par. Winson (Wai Lun) Group Limited was then owned as to 50% (1 share) by Mr. Sze and 50% (1 share) by Madam Ng. On 23 November 1993, Madam Ng transferred her 1 share in Winson Pest Control to Winson (Wai Lun) Group Limited, at a consideration of HK\$1. After such allotment and transfer of shares, Winson Pest Control was owned as to approximately 99.99% and 0.01% by Winson (Wai Lun) Group Limited and Mr. Sze respectively.

On 16 February 2007, the authorised share capital of Winson Pest Control was increased to HK\$8,275,000 from HK\$300,000 by the creation of additional 7,975,000 ordinary shares of HK\$1 each. On the same day, Winson Pest Control issued and allotted 8,175,000 shares to Winson (Wayland) Group Limited (formerly known as Winson (Wai Lun) Group Limited) for cash at par. After such allotment, Winson Pest Control was owned as to approximately 99.99% (8,274,999 shares) and 0.01% (1 share) by Winson (Wayland) Group Limited and Mr. Sze respectively.

On 30 March 2007, due to internal reorganisation, Winson (Wayland) Group Limited and Mr. Sze transferred 8,274,999 shares and 1 share of Winson Pest Control respectively, representing approximately 99.99% and 0.01% of the issued share capital of Winson Pest Control respectively to Winson Group Holdings, at a cash consideration of HK\$8,274,999 and HK\$1 which was determined based on the paid up amount of such shares. Both the consideration had been settled. After such transfers, Winson Pest Control was 100% beneficially owned by Winson Group Holdings. Mr. Sze held 1 share of Winson Pest Control on trust for Winson Group Holdings pursuant to a declaration of trust dated 30 March 2007. In November 2014, Mr. Sze left Winson Pest Control for concentration of development of his PRC business.

## HISTORY, DEVELOPMENT AND REORGANISATION

As part of the Reorganisation, on 26 March 2015, Winson Group Holdings and Mr. Sze (as trustee for Winson Group Holdings) transferred their respective 8,274,999 shares and 1 share of Winson Pest Control to Winson Group HK at a total consideration of HK\$1. Subsequent to the said share transfers, Winson Pest Control has been 100% legally and beneficially owned by Winson Group HK.

### **Wealthy Strong**

Wealthy Strong was incorporated in Hong Kong on 24 October 1991 with an authorised share capital of HK\$10,000 comprising 10,000 ordinary shares of HK\$1 each. Wealthy Strong principally engages in property investment.

In December 2003, Madam Ng and Mr. SY Sony acquired the entire issued share capital of Wealthy Strong which was a property investment company at the material time at cash consideration of HK\$2,496,636 and HK\$2,496,636 respectively from Independent Third Parties. The consideration was determined with reference to the agreed value of the property held by Wealthy Strong which had been settled. After the said acquisition, Wealthy Strong was owned by Madam Ng and Mr. SY Sony as to 50% (5,000 shares) and 50% (5,000 shares) respectively.

On 28 February 2006, the authorised share capital of Wealthy Strong was increased from HK\$10,000 to HK\$1,000,000 by the creation of additional 990,000 ordinary shares of HK\$1 each. On the same day, Wealthy Strong issued and allotted 990,000 shares, representing 99% of its enlarged issued share capital, to Winson Cleaning at a total subscription price of HK\$6,642,026 which had been settled. After the said allotment, Wealthy Strong was owned by Winson Cleaning, Madam Ng and Mr. SY Sony as to 99% (990,000 shares), 0.5% (5,000 shares) and 0.5% (5,000 shares) respectively.

Due to internal reorganisation, on 28 March 2007, Winson Cleaning, Madam Ng and Mr. SY Sony transferred 990,000 shares, 5,000 shares and 5,000 shares of Wealthy Strong respectively, representing 99%, 0.5% and 0.5% of the issued share capital of Wealthy Strong respectively, to Lafon Enterprises Inc. (later known as Lafon Investment Inc.), a company incorporated in the BVI and then owned by Mr. Sze and Madam Ng as to 50% (1 share) and 50% (1 share) respectively, for a cash consideration of HK\$9,490,815, HK\$47,933 and HK\$47,933 respectively. All the above consideration was determined with reference to the agreed value of the property held by Wealthy Strong and had been settled. At the direction of Lafon Enterprises Inc., Mr. Sze held 1 share in Wealthy Strong as trustee in its favour in accordance with a declaration of trust dated 28 March 2007. After such transfers, Wealthy Strong was 100% beneficially owned by Lafon Enterprises Inc. and Mr. Sze held 1 share of Wealthy Strong on trust for Lafon Enterprises Inc.

Due to internal reorganisation, on 28 March 2014, Lafon Investment Inc. (formerly known as Lafon Enterprises Inc.) transferred 1,000,000 shares of Wealthy Strong, representing the entire issued share capital of Wealthy Strong, to Winson Group Holdings for a cash consideration of HK\$28,500,000 in total. The consideration was determined with reference to the agreed value of the property held by Wealthy Strong and had been settled. At the direction of Winson Group Holdings, Mr. Sze held 1 share in Wealthy Strong as trustee in its favour in accordance with a declaration of trust dated 28 March 2014. After such transfer, Wealthy Strong was 100% beneficially owned by Winson Group Holdings and Mr. Sze held 1 share of Wealthy Strong on trust for Winson Group Holdings. In November 2014, Mr. Sze left Wealthy Strong for concentration of development of his PRC business.

## HISTORY, DEVELOPMENT AND REORGANISATION

As part of the Reorganisation, on 26 March 2015, Winson Group Holdings and Mr. Sze (as trustee of Winson Group Holdings) transferred their respective 999,999 shares and 1 share of Wealthy Strong to Winson Group HK at a total consideration of HK\$1. Subsequent to the said share transfers, Wealthy Strong has been 100% legally and beneficially owned by Winson Group HK.

Mr. Sze was convicted for 3 incidents in 1970s. In 1975, Mr. Sze was convicted as a member of triad society. No imprisonment was imposed on Mr. Sze by the court and Mr. Sze was bound over in the sum of HK\$500 for 12 months, meaning that Mr. Sze undertook and was required by the court to keep the peace or to be of good behaviour within 12 months, otherwise he must pay the HK\$500 to court and the new matter constituting breach of peace would be dealt with separately. In 1977 and 1979, Mr. Sze was convicted for possession of a dangerous drug for the purpose of trafficking and theft, respectively. The court did not impose imprisonment sentence and Mr. Sze was put on probation for two years and was fined HK\$100, respectively.

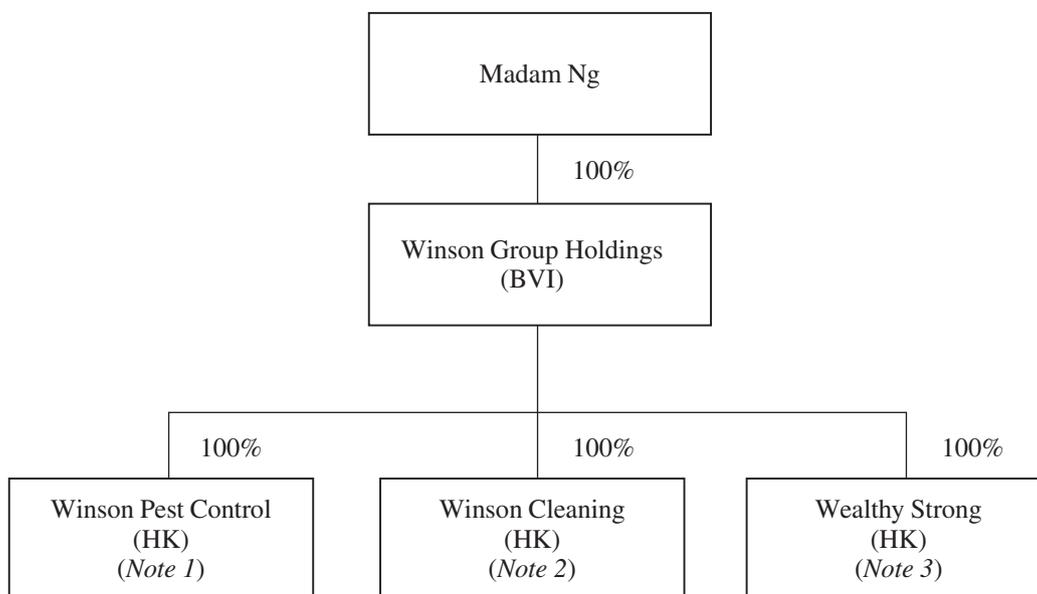
Mr. Sze has declared by way of statutory declaration that he is not, and has not been, a member of the triad society. The legal counsel of the Company, Mr. Chan Chung, had issued a legal opinion on the integrity of Mr. Sze. As stated in the legal opinion, Mr. Sze's position is that he was not and is not a member of a triad society. However, having considered the legal costs which might be incurred in defending, Mr. Sze chose to plead guilty to the relevant conviction at the material time. Mr. Chan Chung is of the view that, having considered that (i) the conviction records are all dated back to 1970s at the time when Mr. Sze was a young man; (ii) Mr. Sze has been out of trouble since the last conviction and obviously has turned a new leaf in life; and (iii) since 1979, Mr. Sze has been living in a decent and law abiding life and he is also enthusiastic about public services, the convictions above do not have any adverse effect on Mr. Sze's character, experience and integrity as a director of a listed company as required under Rule 5.02 of the GEM Listing Rules and will not render Mr. Sze not suitable to be a director of the Company (if he is appointed as such).

Mr. Sze left the Group in November 2014 as a director and he is currently not, and has no intention to be, involved in any aspects of the business management of the Group. Each of Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun has declared by way of statutory declaration that (i) Mr. Sze will not have any involvement in the management of the business of the Group going forward; and (ii) he/she will not be controlled or influenced by Mr. Sze with his/her decision making in relation to the day-to-day operation and/or management of the Group in the future. In addition, the Company has appointed five independent non-executive Directors who altogether will cast a strong independent influence over the Board.

## HISTORY, DEVELOPMENT AND REORGANISATION

### SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY BEFORE THE REORGANISATION

The following charts illustrate the corporate structure of the Group immediately prior to the Reorganisation:



*Notes:*

1. Pursuant to a declaration of trust dated 30 March 2007 executed by Mr. Sze in favour of Winson Group Holdings, Winson Pest Control was held as to approximately 0.01% (1 share) by Mr. Sze, holding on trust for Winson Group Holdings.
2. Pursuant to a declaration of trust dated 30 March 2007 executed by Mr. Sze in favour of Winson Group Holdings, Winson Cleaning was held as to approximately 0.01% (1 share) by Mr. Sze, holding on trust for Winson Group Holdings.
3. Pursuant to a declaration of trust dated 28 March 2014 executed by Mr. Sze in favour of Winson Group Holdings, Wealthy Strong was held as to approximately 0.01% (1 share) by Mr. Sze, holding on trust for Winson Group Holdings.

### REORGANISATION

In preparation for the Listing, the Group underwent the Reorganisation involving the following steps:

#### **Acquisition of 100% shareholding of each of Winson Pest Control, Winson Cleaning and Wealthy Strong from Winson Group Holdings by Winson Group HK**

On 26 March 2015, Winson Group HK, a company incorporated in the BVI and wholly-owned by Sze's Holdings which was in turn wholly-owned by Rich Cheer as trustee of the Sze Family Trust, acquired from Winson Group Holdings and Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) 8,274,999 shares and 1 share respectively in Winson Pest Control, representing approximately 99.99% and 0.01% of its issued share capital at a total consideration of HK\$1.00.

## HISTORY, DEVELOPMENT AND REORGANISATION

On 26 March 2015, Winson Group HK acquired from Winson Group Holdings and Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) 59,999 shares and 1 share respectively in Winson Cleaning, representing approximately 99.99% and 0.01% of its issued share capital at a total consideration of HK\$1.00.

On 26 March 2015, Winson Group HK acquired from Winson Group Holdings and Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) 999,999 shares and 1 share respectively in Wealthy Strong, representing approximately 99.99% and 0.01% of its issued share capital at a total consideration of HK\$1.00.

### **Incorporation of the Company**

The Company was incorporated on 31 May 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sze's Holdings on the same day.

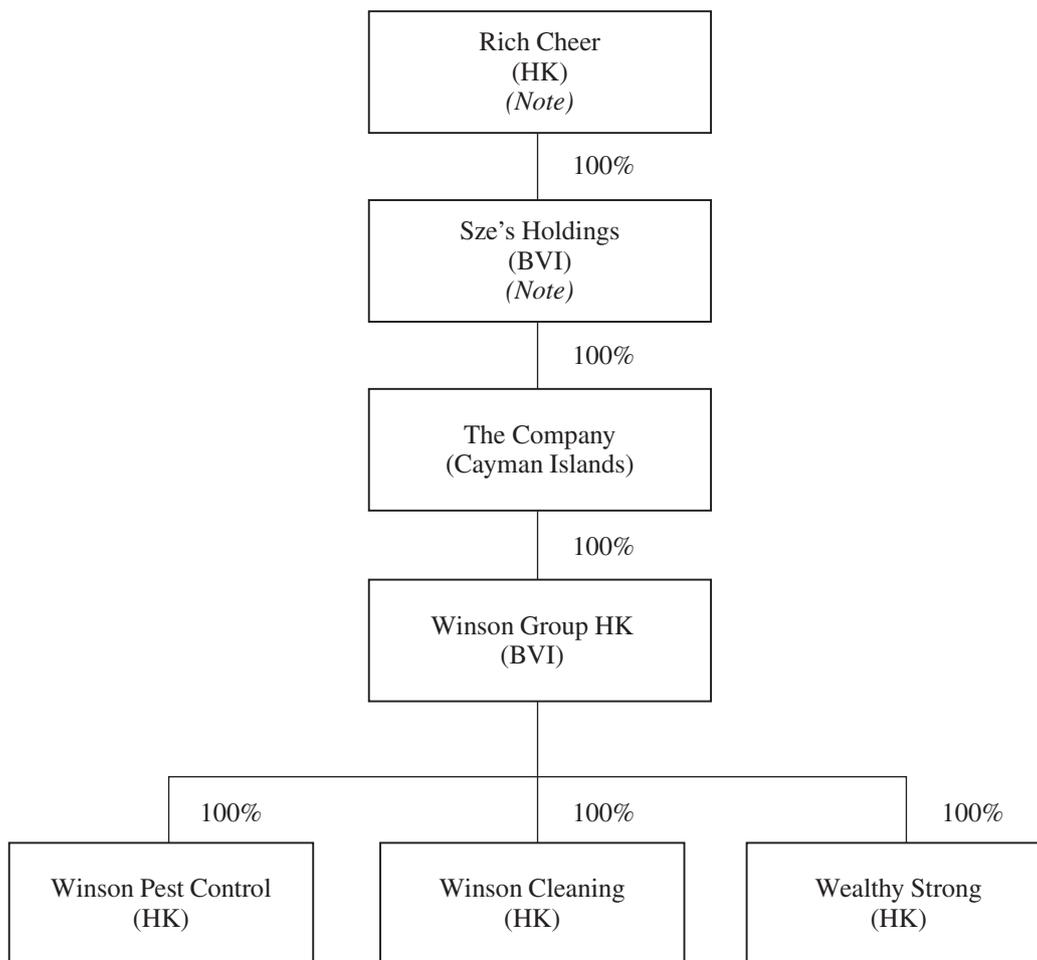
### **Acquisition of 100% shareholding of Winson Group HK by the Company from Sze's Holdings**

On 17 February 2017, the Company acquired from Sze's Holdings the entire issued share capital of Winson Group HK for a consideration to be satisfied by (i) the issue and allotment of an aggregate of 999,999 new Shares, credited as fully paid, to Sze's Holdings; and (ii) crediting as fully paid the one initial nil-paid subscriber Share transferred to Sze's Holdings.

After the above transfer of shares and allotment, the Company became the ultimate holding company of the Group. As confirmed by the Directors, the change in shareholdings in Winson Pest Control, Winson Cleaning and Wealthy Strong, being subsidiaries of the Company incorporated in Hong Kong, under the Reorganisation would not require any approval or permit from any relevant government authorities in Hong Kong.

## HISTORY, DEVELOPMENT AND REORGANISATION

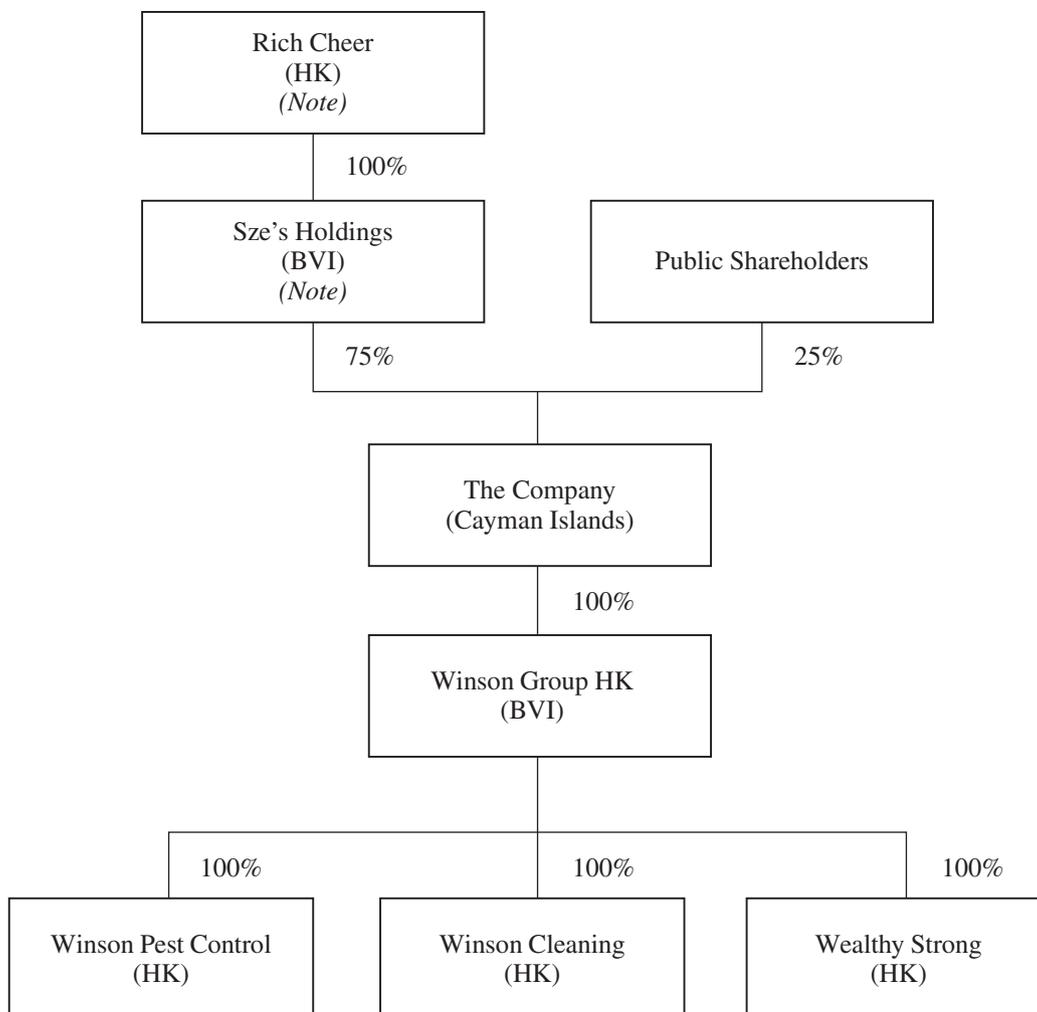
The shareholding and corporate structure of the Group immediately after the completion of the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be issued upon exercise of options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme) is illustrated in the diagram below.



*Note:* The entire issued share capital of Sze's Holdings is held by Rich Cheer acting as the trustee of the Sze Family Trust. The Sze Family Trust is a trust set up by Madam Ng as settlor and Rich Cheer as trustee on 8 January 2015. Under the Sze Family Trust, the settlor has the power to issue letter of wishes and the trustee has the power to, inter alia, apply the trust fund as the trustee shall think fit to any of the eligible beneficiaries. The discretionary objects of the Sze Family Trust are (i) Mr. Sze Wai Lun; (ii) Ms. Sze Tan Nei; (iii) issue of Mr. Sze Wai Lun if he is deceased; (iv) the executor or administrator of the deceased estate of Mr. Sze Wai Lun if he is deceased and there is no issue; (v) issue of Ms. Sze Tan Nei if she is deceased; (vi) the executor or administrator of the deceased estate of Ms. Sze Tan Nei if she is deceased and there is no issue; and (vii) such persons as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the terms of the trust deed of the Sze Family Trust (excluding Mr. Sze who had been determined as a member of the excluded class of the Sze Family Trust for all times).

## HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding and corporate structure of the Group immediately after completion of the Share Offer and Capitalisation Issue (without taking into account any shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) is illustrated in the diagram below.



*Note:* The entire issued share capital of Sze's Holdings is held by Rich Cheer acting as the trustee of the Sze Family Trust. The Sze Family Trust is a trust set up by Madam Ng as settlor and Rich Cheer as trustee on 8 January 2015. Under the Sze Family Trust, the settlor has the power to issue letter of wishes and the trustee has the power to, inter alia, apply the trust fund as the trustee shall think fit to any of the eligible beneficiaries. The discretionary objects of the Sze Family Trust are (i) Mr. Sze Wai Lun; (ii) Ms. Sze Tan Nei; (iii) issue of Mr. Sze Wai Lun if he is deceased; (iv) the executor or administrator of the deceased estate of Mr. Sze Wai Lun if he is deceased and there is no issue; (v) issue of Ms. Sze Tan Nei if she is deceased; (vi) the executor or administrator of the deceased estate of Ms. Sze Tan Nei if she is deceased and there is no issue; and (vii) such persons as may be appointed as additional member or members of the class of eligible beneficiaries pursuant to the terms of the trust deed of the Sze Family Trust (excluding Mr. Sze who had been determined as a member of the excluded class of the Sze Family Trust for all times).

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### OVERVIEW

The Group is a Hong Kong-based service provider specialising in environmental hygiene services and airline catering support services in Hong Kong. According to the Frost & Sullivan Report, the Group ranked 6th among environmental hygiene service providers in Hong Kong in terms of revenue and had approximately 3.8% market share in terms of the total environmental hygiene service industry revenue for the year of 2015. Meanwhile, the Group also had approximately 34.8% market share in airline catering support service market in 2015. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the total revenue of the Group were approximately HK\$369.2 million, HK\$449.8 million and HK\$191.4 million, respectively, while profit for the year/period were approximately HK\$14.3 million, HK\$18.8 million and HK\$5.3 million, respectively. The Directors believe that the Group achieved growth in revenue and profit mainly by expansion of scope of services and client base and increased revenue from customers as the Group maintained quality of services and competitive edge in the industry.

As an experienced service provider, the Group provides mainly two kinds of services, namely environmental hygiene services and airline catering support services. The Group started off as an environmental hygiene service provider in 1983 via the incorporation of Winson Cleaning. In 1993, the Group set up Winson Pest Control as a separate pest management service provider. The Directors are of the view that pest management services are value-added services provided to customers who require environmental hygiene services. In order to diversify the Group's business, the Group has commenced the provision of airline catering support services which involve, among others, handling, packing, checking and transporting food or non-food items as well as meals plating and tray-setting services for the airline catering operators in Hong Kong since 2013. Over the years, the Group has grown into one of the major comprehensive service providers in Hong Kong employing 2,585 full-time and part-time staff members as at the Latest Practicable Date, serving 848 customers including owners and management companies of office buildings, commercial and industrial centres, residential premises, as well as mass transit transportation operator, airline catering operators, Hong Kong Government and tenants of various premises. In addition, the Group's vehicle fleet comprised 29 vehicles as at the Latest Practicable Date, including vans, trucks, aerial platform vehicle, hook-lift trucks, private cars and water wagons which help the Group in the provision of environmental hygiene services.

The table below sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Environmental hygiene services	344,537	93.3	415,275	92.3	167,115	92.2	177,026	92.5
Airline catering support services	<u>24,675</u>	<u>6.7</u>	<u>34,483</u>	<u>7.7</u>	<u>14,107</u>	<u>7.8</u>	<u>14,362</u>	<u>7.5</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

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The table below sets forth a breakdown of the Group's segment gross profit and gross profit margin during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2015			2016		
	As % of	Gross		As % of	Gross		As % of	Gross		As % of	Gross	
	Gross profit	total gross profit	margin	Gross profit	total gross profit	margin	Gross profit	total gross profit	margin	Gross profit	total gross profit	margin
HK\$'000		%	HK\$'000		%	HK\$'000		%	HK\$'000		%	
	(unaudited)											
Environmental hygiene services	51,734	92.2	15.0	62,284	91.0	15.0	24,953	89.9	14.9	25,927	92.1	14.7
Airline catering support services	4,396	7.8	17.8	6,192	9.0	18.0	2,817	10.1	20.0	2,226	7.9	15.5
<b>Total</b>	<u>56,130</u>	<u>100.0</u>	15.2	<u>68,476</u>	<u>100.0</u>	15.2	<u>27,770</u>	<u>100.0</u>	15.3	<u>28,153</u>	<u>100.0</u>	14.7

The table below sets forth a breakdown of the Group's revenue during the Track Record Period by private and public sectors:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Private sectors (Note 1)	233,986	63.4	282,777	62.9	116,541	64.3	118,933	62.1
Public sectors (Note 2)	135,226	36.6	166,981	37.1	64,681	35.7	72,455	37.9
<b>Total</b>	<u>369,212</u>	<u>100.0</u>	<u>449,758</u>	<u>100.0</u>	<u>181,222</u>	<u>100.0</u>	<u>191,388</u>	<u>100.0</u>

Notes:

- Private sectors mainly represent privately-owned companies.
- Public sectors mainly consist of departments of the Hong Kong Government, Hong Kong authorities and companies or entities with substantial government investment or influence.

The Group enters into mainly two types of contracts: Tender Contracts and Quotations. The following table sets forth the breakdown of revenue by types of contracts:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Tender Contracts	294,658	79.8	319,585	71.1	163,043	90.0	169,628	88.6
Quotations	74,554	20.2	130,173	28.9	18,179	10.0	21,760	11.4
<b>Total</b>	<u>369,212</u>	<u>100.0</u>	<u>449,758</u>	<u>100.0</u>	<u>181,222</u>	<u>100.0</u>	<u>191,388</u>	<u>100.0</u>

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The Group also implemented procedures for maintaining a high standard of occupational health and safety, environment and quality control. The Group has been assessed and certified by SGS as meeting the requirements of ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Strengths and abilities of the Group are evidenced by a proven track record as the Group has maintained a long term relationship with its major customers. For instance, the number of years the Group has provided services to the five largest customers (in terms of revenue) for the year ended 31 March 2016 ranged from 3 years to over 20 years except for Customer D which is a new customer whom the Group started business relationship in early 2015 and became top five largest customer for the year ended 31 March 2016. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group's five largest customers accounted for approximately 62.4%, 65.9% and 66.6% of the Group's revenue, respectively.

According to the Frost & Sullivan Report, the market drivers of the environmental service industry in Hong Kong included (i) increasing hygiene awareness due to past disease outbreaks; (ii) rising number of residential, commercial and office buildings in Hong Kong; (iii) lacking one-stop comprehensive service providers within the industry and (iv) government regulations on environmental hygiene control and the market drivers of airline catering support service industry in Hong Kong included (i) increasing flight passenger volume in Hong Kong; (ii) strengthening hygiene awareness among the public and (iii) surging demand for labour assisting the rapid growth of airline catering market (please refer to the sections headed "Industry overview — Overview of the environmental hygiene service industry in Hong Kong — Market drivers" and "Industry overview — Overview of airline catering support service industry in Hong Kong — Market drivers" in this prospectus for details). Leveraging on the existing team of cleaning staff and well established relationships with customers in Hong Kong, the Directors believe that the Group has competitive edge in the industry, particularly in carrying out large-scale projects and in fulfilling stringent requirement from customers. The Directors believe that the Group is well positioned to capture the growing demand for environmental hygiene services and airline catering support services in Hong Kong.

### COMPETITIVE STRENGTHS

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

#### **Well-established presence in the environmental hygiene service and airline catering support service industry in Hong Kong**

According to the Frost & Sullivan Report, the Group ranked 6th among environmental hygiene service providers in Hong Kong in terms of revenue in 2015 with approximately 3.8% market share. Leveraging on the operational resources and over 32 years of business development and operational experience in the environmental service industry, the Directors believe that the Group has a competitive edge in the industry, particularly in carrying out large-scale projects and in fulfilling stringent requirement from customers. In addition, the revenue derived from airline catering support services of the Group was approximately HK\$34.5 million for the year ended 31 March 2016, representing approximately 34.8% market share in airline catering support service market in 2015 in accordance to the Frost & Sullivan Report. The Directors believe that an established market reputation and a proven track record for quality of service, positioned the Group

## BUSINESS

well in capturing the growing environmental hygiene services and airline catering support service business in Hong Kong as well as securing more businesses from customers who demand high quality of service.

### **Established business relationships with reputable customers which is beneficial to the Group in exploring new business opportunities**

The Group has established stable business relationships with reputable customers including Hong Kong's mass transit railway operator and property developer, with whom the Group had established business relationship for over 20 years, and a principal airline catering services provider in Hong Kong, both of which are subsidiaries of Hong Kong listed companies. During the Track Record Period, the Group's top five customers in terms of revenue contribution were mainly property owners or management companies of landmark commercial buildings and residential premises in Hong Kong and Hong Kong-based airline catering services providers and conglomerates. The Directors believe that professional service, reliable cost and quality management and customised and integrated solutions are key edges in maintaining long term relationships with customers. The Directors believe that the Group can leverage on its existing customer base to further develop new business opportunities through cross-selling comprehensive range of service packages.

### **The Group has a long history with proven track record and established brand "Winson"**

Since the establishment of Winson Cleaning in 1983, the "Winson" brand has been recognised and during its long operating history, the Group has obtained numerous awards and recognitions. Recent examples include "2016 Hong Kong's Most Valuable Companies" awarded by Mediazone Limited, "18 Districts Caring Employer for the year of 2015" awarded by Kwun Tong Home Affairs Department and Hong Kong Federation of Handicapped Youth, "2016/17 Caring Company (5 Years +)" awarded by The Hong Kong Council of Social Service and "The Credible Enterprise of Chinas' Accreditation (2011-2013)" awarded by China Enterprise Reputation and Credibility Association (Overseas) Limited. For details, please refer to the paragraphs headed "Awards and recognitions" in this section.

### **The Group has a well-qualified and experienced management team**

The management team of the Group is well-qualified and experienced in the environmental service industry. The Group is under the leadership of Madam Ng, the co-founder and an executive Director, who has over 30 years of experience in the environmental hygiene service industry and is an Associate Fellow of Australian Institute of Management. A majority of other executive Directors have more than 9 years of experience in the environmental service industry and some of them have received additional safety and environmental management trainings such as Ms. Sze Tan Nei, an executive Director, has completed the OHSAS 18001:2007 & ISO 19011:2002 (Occupational Health & Safety Management Systems Auditor/Lead Auditor Training Course) and ISO 14001:2004 & ISO 19011:2002 (Environmental Management Systems Auditor/Lead Auditor Training Course) held by the HKQAA and IMSA in 2011 and 2010, respectively. Mr. Ang Ming Wah, an executive Director, is an associate member of the Hong Kong Management Association and has been appointed as "Occupational Safety and Health Ambassador" by Occupational Safety

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& Health Council in 2008. Further details of the qualification and experience of the Directors and senior management are set out in the section headed “Directors and senior management” in this prospectus.

Each member of the Group’s senior management team has at least 27 years of experience in the relevant industry. Their in-depth industry knowledge and extensive project management experiences facilitate the formulation of competitive tenders in a timely manner. The Group was therefore able to secure numerous competitive tenders over the years. The management has a proven track record of exploring new business opportunities and integrating such opportunities with the existing business to create value for customers, such as extending the service package of a customer from general cleaning services to airline catering support services since 2013. The Directors believe the success and growth to date has been in large part attributable to the strength of the management team of the Group.

### **The Group has a team of well-trained staff to provide quality services to customers**

The Group has a team of well-trained staff as the Group provides on-going training regularly to relevant staff across different departments on topics covering including but not limited to IT, environmental protection, ISO training, safety training as well as trainings for supervisory roles etc. Such trainings are either provided internally or by external parties. Besides, the Group encourages its staff to attend further safety training courses from time to time even if they might not be mandatory for operations. For example, as at 31 August 2016, a number of employees had attended courses and obtained the certificate for completion of height safety training course and occupational safety and health training workshop and eight of the Group’s staff have obtained certificate of Occupational Safety and Health Ambassador issued by Occupational Safety & Health Council. For further details, please refer to the paragraphs headed “Employees, staff training and development — Training and recruitment policies” and “Employees, staff training and development — Employees with relevant licences, permits and certificates” in this section. In addition, to keep up to date with best environmental and health and safety practices in the industry, the Group has become a member of various industry bodies including Hong Kong Cleaning Association (HKCA), Hong Kong Pest Management Association (HKPMA), Environmental Contractors Management Association (ECMA), The Federation of Environmental and Hygienic Services (FEHS).

## **BUSINESS STRATEGIES**

The Group’s goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the environmental hygiene and airline catering support industry in Hong Kong. To achieve this, the Directors plan to continue to capitalise on the Group’s competitive strengths and implement the following strategies:

### **Strengthen the Group’s available financial resources to finance cash flow mismatch under the Tender Contracts**

The business operations of the Group are labour intensive. For the two years ended 31 March 2016 and the five months ended 31 August 2016, direct wages amounted to approximately HK\$258.1 million, HK\$292.7 million and HK\$120.9 million, representing approximately 82.4%, 76.8% and 74.1% of total cost of services during the respective years/period. The Group pays

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salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group issues invoices to its customers typically on a monthly basis in respect of the services provided during the month and the credit period granted by the Group to its major customers in general ranges from 30 days to 75 days, which means the Group in general receives payment from its major customers ranges from 30 days to 75 days after the issue of invoice. As a result, there is a time lag between making payment of salaries to the Group's employees and the receiving payments from its customers. During the Track Record Period, the Group utilised the banking facilities, internal resources and/or amount due to related parties to finance such cashflow mismatch. However, the Directors consider that the use of banking facilities may increase the gearing ratio of the Group as well as increasing the interest burden on the Group. The Directors also have to ensure the Group has sufficient financial resources for every Tender Contracts (especially new contracts) to satisfy the cashflow mismatch.

In addition, the statutory minimum wage in Hong Kong was reviewed in general at least once every two years and the latest increase in the statutory minimum wage was in 2015, being two years after 2013. The Directors consider that if there are further increments in the statutory minimum wage in 2017 after the review, the costs for direct wages may further increase and hence may worsen the aforementioned cashflow mismatch.

Based on the above, the Directors consider that it is justifiable and intend to utilise approximately HK\$23.0 million of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to strengthen the Group's available financial resources to fulfill the cashflow mismatch between making payment of salaries to the Group's employees and the receiving payments from its customers. As a result, the Group is able to have sufficient financial resources to undertake more Tender Contracts to capture the growth in market size of environmental hygiene services industry and airline catering support services industry in Hong Kong as well as allowing the Group to reduce the reliance on the banking facilities so as to lower or maintain its gearing ratio and have better control on interest expenses.

### **Increase the market penetration by strengthen the promotion of the Group's brand**

According to the Frost & Sullivan Report, the Group ranked 6th among environmental service providers in Hong Kong in terms of revenue and had approximately 3.8% market share in terms of the total industry revenue in 2015. During the Track Record Period, the Group's top five customers accounted for approximately 62.4%, 65.9% and 66.6% of the total revenue, respectively. The top five customers are not obligated in any way to continue to offer the Group with new businesses in the future at a level similar to that in the past or at all. In order to mitigate the risks of losing customers given the non-recurring nature of the Tender Contracts and to further enhance the sustainability of the Group's business, the Directors consider that it is essential to solicit new potential customers. Further, the Group generally entered the Tender Contracts by way of invitation of tenders from the customers and the customers usually maintain its approved list of services providers.

As such, the Directors consider that it is crucial for the Group to be on the approved lists of the potential new customers in order to be invited for tendering.

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Based on the aforesaid and in order to explore new customers to achieve business growth given the growing environmental hygiene services industry in the coming future so as to increase the market share of the Group, the Directors consider that it is justifiable and intends to utilise approximately HK\$2.7 million of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to put more sales and marketing efforts with an aim to solicit new customers and to be on the approved lists by (i) participating in marketing campaigns such as exhibitions and fairs to promote its brand awareness and services among potential customers as well as attending activities held by environmental protection organisations; (ii) editing, printing and distributing company brochures and marketing materials to solicit new customers; (iii) design and implement online platform to provide on-line communication channel for its customers; and (iv) upgrading the training facilities of the Group and recruiting training officers and providing training to the staff in respect of, among other things, workplace safety, operational skills, sales and marketing skills and supervisory skills so as to raise the quality of services of the Group.

### **Strengthen the established position in the environmental hygiene services industry in Hong Kong**

The Group will continue to strengthen its established position in Hong Kong by leveraging on established business relationships with reputable customers to explore new business opportunities. As disclosed in the paragraphs headed “Tools, equipment and vehicles — Tools and equipment” in this section, some of the Group’s tools and equipment has reached the end of their useful life which require to be replaced. In addition, in order to further enhance operational efficiency and competitiveness and to complement the Group’s services, the Group intends to acquire additional equipment such as cleaning carts, ride-on scrubber driers, escalator cleaners, hook-lift trucks, aerial platform vehicles, water wagons, cullet crushers and garbage compressor vehicle.

As at the Latest Practicable Date, the operation team of the Group had 2,255 cleaning and supporting staff members delivering environmental hygiene services. The Group plans to enhance the operation team and hiring two more middle-ranking management staff with at least eight to ten years of relevant environmental hygiene services to enhance the management and training of cleaning workers. Currently, the general manager of the operation department of the Group supervises all the operations managers as well as safety officer and marketing team. In order to ease the workload of the general manager and to have better control on the qualities of services, the Group also intends to strengthen the foundation of the operation management in managing the business operations and training by recruiting two assistant general managers with at least 15 years of relevant environmental hygiene services and track record of general management experience. In addition, currently, the Group has one safety officer to handle the safety matter of all the worksites of the Group. In light of this and taken into account of the accident rates of the Group during the Track Record Period, the Group intends to recruit a senior safety manager with at least five years of relevant safety experiences and holder of safety officer licence and safety management certificate to ease the workload of the safety officer of the Group, to enhance workplace safety knowledge for the Group’s workers so as to reduce workplace injuries at worksites. The Directors consider that it would be better off for the Group to employ its own management staff rather than through sub-contracting arrangement as (i) recruiting own manpower can have better control on the quality of services provided; and (ii) own manpower are much familiar with the procedures and standards of the Group’s services.

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In order to maintain the Group's competitiveness and market share given it is highly competitive in environmental hygiene services industry, the Directors consider that it is crucial and justifiable to utilise approximately HK\$7.8 million of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to make further investment in additional tools and equipment and manpower expansion to provide quality services to customers, by which the Group could maintain its business relationship with its customers. Furthermore, the Directors believe that through the Listing, the Group's profile and public awareness will be significantly enhanced and this will serve as a foundation to further expand and grow in the Hong Kong environmental hygiene services industry.

### **Enhance the IT system to strengthen operational efficiency and service qualities**

The Group recognises that it is vital to keep abreast of the latest technological developments and to maintain the competitiveness of the Group. Hence, the Directors confirmed that the Group has commenced to separate the IT department from administration department in 2015 with an aim to strengthen the Group's IT system. The Directors considers that operational efficiency is fundamental to the Group's business and to achieve growth after taking into account of management of 2,585 employees as at the Latest Practicable Date. As such, the Directors are of the view that it is essential to deploy more resources on IT system enhancement so as to promote connectivity and security of information between headquarter and worksites. In addition, certain of the IT equipment have reached the end of usage life and are required to be replaced. Hence, in order to enhance the Group's operational efficiency and competitive edge, the Directors are of the view that it is justifiable to apply approximately HK\$7.5 million of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to further improve the IT system to enhance the operational efficiency and service qualities.

The Group intends to (i) upgrade the IT system by way of upgrading the server and improvement of server location to improve the efficiency of data back up and reduce the risk of loss of data provides a backbone for efficient operations; (ii) enhance daily operation by procuring cloud storage and cloud server services from third party service provider, through which the Group's staff could upload the operational information such as inspection reports, feedback of customers, progress reports, etc on the cloud server and cloud storage, so that the connectivity and communication between the headquarters and work premises of the Group can be enhanced, and hence improve the quality of services; and (iii) reinforce the maintenance of IT software and addition of IT equipment at its headquarters and worksites to ensure the smooth implementation of (i) and (ii) above. The Directors believe that through the continuous upgrading and maintenance of the IT system, the Group will be able to manage the manpower more efficiently and provide better support to environmental hygiene services and airline catering support services in the long run.

### **REASONS FOR AND BENEFITS OF THE LISTING ON GEM**

1. In respect of the Group's business, there are often time lags between making payments to the Group's employees and receiving payments from its customers. The Group pays salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group also issues invoices to its customers typically on a monthly basis in respect of the services provided during the month. The credit period granted to the Group's major customer in general ranges from

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30 days to 75 days. The Directors believe that the capital raise through the Listing would strengthen the Group's cashflow position which in turn will enable the Group to undertake more Tender Contracts to capture the growth in market size of environmental hygiene services industry and airline catering support services industry in Hong Kong.

2. As the majority of new businesses are obtained through tender invitation by customers, keeping strong relationship with the customers is critical to maintain the competitiveness of the Group. Hence the Directors believe that that the capital raise through the Listing would enable the Group to make further investment on additional tools and equipment and manpower so as to provide quality services to the customers.
3. During the Track Record Period, the Group utilised its banking facilities, internal resources and/or amount due to related parties for its business operations. As at 31 December 2016, the Group's cash and cash equivalent was approximately HK\$23.6 million. The Directors consider that it is necessary to maintain a cash level to support the Group's existing operations and growth through continuing organic expansion given the net working capital cash outflow exposure of approximately HK\$3.9 million, HK\$5.0 million and HK\$4.4 million for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. In addition, despite the unutilised banking facilities of approximately HK\$47.0 million as at 31 December 2016, the Directors consider that further debt financing for expansion may further increase the gearing ratio and decrease the current ratio of the Group and hence increase its liquidity risk after taking into consideration of (a) the Group's net current assets position of approximately HK\$6.4 million and HK\$14.7 million as at 31 August 2016 and 31 December 2016, respectively; and (b) its highest gearing ratio and lowest current ratio among the competitors which are listed on the Stock Exchange. The Directors believe that the Group will be able to maintain a lower gearing ratio by raising equity funds through the Listing to implement its business strategies as detailed in the paragraphs headed "Business Strategies" in this section.
4. The Listing also provides a platform for the Group to raise further capital in the future given (a) the finance costs incurred for the two years ended 31 March 2016 and the five months ended 31 August 2016 amounted to approximately HK\$2.5 million, HK\$2.3 million and HK\$1.1 million, respectively; and (b) the uncertain interest rate movement going forward which may expose the Group to increasing borrowing costs in the future via debt financing. (i.e as at 31 March 2015 and 2016 and 31 August 2016, the bank borrowings carried interest rate at floating rates ranged from 1.99% to 5.25%, 1.95% to 5.50% and 2.6% to 5.50% per annum, respectively). Further, the Directors believe that the Listing would enable the Group to obtain debt financing with more favourable terms from financial institutions.
5. The growing market size for environmental hygiene services industry and airline catering support services industry in Hong Kong would continue to benefit the Group's future business development. According to the Frost & Sullivan Report, the market size of environmental hygiene services is expected to further expand to approximately HK\$15,606.3 million in 2020, representing a CAGR of approximately 7.1% from 2016 to 2020 while the market size of airline catering support service expects a further growth to approximately HK\$144.8 million in 2020, representing a CAGR of approximately 7.8% from 2016 to 2020. After taking into consideration that (i) the growth potential of the environmental hygiene services industry and airline catering support services industry in Hong Kong; and (ii) the Group may be able to capture growth and hence

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sustainability could be further enhanced by implementing its business strategies as mentioned in paragraphs headed “Business Strategies” in this section, the Directors believe that listing on the GEM would be beneficial to the Group as GEM has been positioned as a market designed to accommodate companies with high growth potential.

6. Some of the companies which have comparable business with the Group have been listed on the Stock Exchange and those competitors would have better access to funding and financing than the Group. The Directors believe that the Listing will allow the Group to maintain its competitiveness against its competitors. In addition, the majority of the Group’s major clients are listed companies and the Directors believe that some of the customers of the Group may prefer to engage services provider which is a listed company with higher corporate profile and credibility, sound internal and corporate governance practice and regulatory supervision.
7. The Directors believe that a public listing status on GEM may offer the Company a broader shareholder base and enhance its brand awareness and publicity.

Based on the reasons stated above, the Directors are of the view that the Listing would be beneficial to the Group in the long run.

### SCOPE OF SERVICES

During the Track Record Period, services provided by the Group involve the provision of environmental hygiene services and airline catering support services.

#### **Environmental hygiene services**

The Group provides environmental hygiene services and its services include public area and office cleaning, waste disposal, as well as specialised services such as external curtain wall and window cleaning, marble floor maintenance and restoration and pest management services.

##### *(i) Public area and office cleaning*

The Group provides public area cleaning services at places including commercial centres, industrial buildings, residential premises, shopping arcades, hotels, academic institutions and public transport facilities such as MTR stations. The Group also provides office cleaning services at tenanted areas of office buildings and shopping arcades.

The public area and office cleaning services the Group provided during the Track Record Period involved floor and carpet cleaning toilet and changing room cleaning, lift and escalator cleaning, furniture cleaning, as well as clubhouse area cleaning. Customers of public area and/or office cleaning services including owners and management companies of office buildings, shopping arcades and residential premises, hotels, academic institutions, mass transit transportation operator, as well as tenants of various premises.

*(ii) Waste disposal*

The Group provides one-stop waste collection, transportation and disposal solutions to customers. The Group deployed its own fleet of specialised vehicles for waste disposal services. As at the Latest Practicable Date, a fleet of five vehicles including trucks and hook-lift trucks were deployed in the provision of waste disposal service within the Group. In performing waste disposal services, if the Group does not possess the necessary specialised vehicle or the Group considers that it is more cost-effective to deploy third party service providers, the Group may procure such services (such as compactor truck) from third party service providers so as to fulfil the relevant requirements under the projects. During the Track Record Period, many of the service contracts with customers included waste disposal services and the Group provided such services at places including office and commercial centres, industrial buildings, residential premises and hotels.

*(iii) External curtain wall and window cleaning*

The Group provides cleaning services for external curtain walls, windows and facades of office buildings, residential complexes, hotels and shopping arcades. During the Track Record Period, these services were carried out by skillful workers who possessed certificate of completion of height safety training course for carrying out works at height. As at the Latest Practicable Date, the Group had 15 staff who possessed the aforementioned certificates. Customers of external wall and window cleaning services include owners and management companies of office buildings, shopping arcades and residential premises.

*(iv) Marble floor maintenance*

The marble floor maintenance services provided by the Group mainly include polishing and waxing of marble floor, wipe cleaning of marble floor and tiles, crystallisation and honing of marble and granite tiles and buffing of floor using cleaning materials such as buffering cream and machines such as marble polishing machine. Customers of marble floor maintenance services including owners and management companies of office buildings, shopping arcades and residential premises.

*(v) Pest management services*

Pest management services include indoor pest management and rodent prevention and control services that involve spraying of pesticides, fogging, application of cockroach repellent gel, installation of rat baits and glue boards, etc. The relevant pesticides the Group use have been registered under the Pesticides Ordinance (Chapter 133 of the laws of Hong Kong).

Winson Pest Control provides pest management services to customers. It has been providing pest control services since 1993. As at the Latest Practicable Date, the Group had five full time pest specialists for provision of pest management services.

The Group's pest management aims to eradicate harmful pests while taking into account the basic principles of public health and environmental protection. Pest management services are either part of the scope of service of environmental hygiene services or as a standalone engagement. Customers request for pest management services either on an ad hoc or a recurring basis. Customers of pest management include owners and management companies of office buildings, shopping arcades and residential premises, mass transit transportation operator as well as tenants of various premises.

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The Directors confirm that there was no material price fluctuations for the environmental hygiene services during the Track Record Period.

### Airline catering support services

In order to diversify the Group's services, since 2013, Winson Cleaning has been providing airline catering support services at flight kitchens of airline catering operators in Hong Kong which require a higher hygiene standard for their kitchens and food preparation in general. As at the Latest Practicable Date, Winson Cleaning had 284 staff (including full-time and part-time) in the operation team for the provision of airline catering support services.

For the provision of airline catering support services, the staff are responsible for the handling of food and non-food items, including the plating of meals, checking and tray-setting food and non-food items onto meal tray, inserting completed meal trays into meal carts and transporting the meal carts manually or through automated systems to the designated areas as instructed by the customers. The Group also provides equipment packing services for one of its customers. These services include covering the dry store packing, cutleries scanning and packing, internal logistic for equipment flow. Customers of catering services primarily include airline catering operators in Hong Kong.

The Directors confirm that there was no material price fluctuations for the airline catering support services during the Track Record Period.

The following table sets out a breakdown of the total revenue by the abovementioned services and by types of premises during the Track Record Period:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Environmental hygiene services</b>								
— Office and commercial centres	66,269	17.9	118,778	26.4	48,981	27.0	53,953	28.2
— Residential premises	53,189	14.4	58,033	12.9	24,059	13.3	22,627	11.8
— Transportation	124,832	33.8	133,734	29.7	54,712	30.2	55,529	29.0
— Others (Note 1)	<u>100,247</u>	<u>27.2</u>	<u>104,730</u>	<u>23.3</u>	<u>39,363</u>	<u>21.7</u>	<u>44,917</u>	<u>23.5</u>
<b>Sub-total</b>	344,537	93.3	415,275	92.3	167,115	92.2	177,026	92.5
<b>Airline catering support services</b>	<u>24,675</u>	<u>6.7</u>	<u>34,483</u>	<u>7.7</u>	<u>14,107</u>	<u>7.8</u>	<u>14,362</u>	<u>7.5</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

Note:

- Others mainly include the environmental hygiene services provided in industrial buildings, hotels and tenants of various premises.

**Premises serviced by the Group**

*Environmental hygiene services*

The environmental hygiene services provided to customers by the Group constitute approximately 93.3%, 92.3% and 92.5% of the total revenue of the Group for the two years ended 31 March 2016 and five months ended 31 August 2016, respectively. As at the Latest Practicable Date, the Group had 2,255 employees (including both full-time and part-time) in operation team for provision of environmental hygiene services. Set out below are the types of premises that the Group provides its environmental hygiene services:

*a. Office and commercial centres*

During the Track Record Period, the Group provided environmental hygiene services in a wide range of office and commercial centres including MegaBox, Telford Garden Shopping Arcade, Whampoa Garden Shopping Arcade and office buildings. The revenue derived from service rendered on office and commercial centres contributed to approximately 17.9%, 26.4% and 28.2% of total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively, which increased from approximately HK\$66.3 million for the year ended 31 March 2015 to HK\$118.8 million for the year ended 31 March 2016, representing an increase of approximately HK\$52.5 million or 79.2%. For the five months ended 31 August 2016, the revenue derived from service rendered on office and commercial centres was approximately HK\$54.0 million, representing an increase of approximately HK\$5.0 million or approximately 10.2% from approximately HK\$49.0 million for the five months ended 31 August 2015.

*b. Residential premises*

During the Track Record Period, the Group provided environmental hygiene services in a wide range of residential premises including Discovery Bay, Richland Garden, The Austin and Grand Austin. The revenue derived from service rendered on residential premises contributed to approximately 14.4%, 12.9% and 11.8% of total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively, which increased from approximately HK\$53.2 million for the year ended 31 March 2015 to HK\$58.0 million for the year ended 31 March 2016, representing an increase of approximately HK\$4.8 million or 9.1%. For the five months ended 31 August 2016, the revenue derived from service rendered on residential premises was approximately HK\$22.6 million, representing a decrease of approximately HK\$1.4 million or approximately 5.8% from approximately HK\$24.1 million for the five months ended 31 August 2015.

*c. Transportation*

During the Track Record Period, the Group provided environmental hygiene services in public transportation stations and related areas including MTR lines such as the East Railway Lines, the Ma On Shan Line, the West Rail Line and the Light Rail. The revenue derived from service rendered on public transportation contributed to approximately 33.8%, 29.7% and 29.0% of the total revenue of the Group for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively, which increased from approximately HK\$124.8 million for the year ended 31 March 2015 to HK\$133.7 million for the year ended 31 March 2016, representing an

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increase of approximately HK\$8.9 million or 7.1%. For the five months ended 31 August 2016, the revenue derived from service rendered on public transportation was approximately HK\$55.5 million, representing an increase of approximately HK\$0.8 million or approximately 1.5% from approximately HK\$54.7 million for the five months ended 31 August 2015.

### *d. Others*

During the Track Record Period, the Group provided environmental hygiene services in other sectors mainly included (i) industrial buildings such as Chai Wan Industrial City and Wah Luen Industrial Building; (ii) hotels such as Dorsett Mongkok Hotel, Silka Seaview Hotel and Silka Far East Hotel; and (iii) tenants and shops of various premises. The revenue derived from service rendered on other premises contributed to approximately 27.2%, 23.3% and 23.5% of total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. For the five months ended 31 August 2016, the revenue derived from service rendered on other premises was approximately HK\$44.9 million, representing an increase of approximately HK\$5.6 million or approximately 14.2% from approximately HK\$39.4 million for the five months ended 31 August 2015.

### *Airline catering support services*

During the Track Record Period, the Group also provided airline catering support services which constituted approximately 6.7%, 7.7% and 7.5% of the total revenue of the Group for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. As at the Latest Practicable Date, the Group had 284 employees (including full-time and part-time) in its operation team for provision of airline catering support services. The major customers included airline catering operators in Hong Kong. The Group provided such services solely at the premises of its customers. The revenue derived from service rendered for airline catering operators increased from approximately HK\$24.7 million for the year ended 31 March 2015 to HK\$34.5 million for the year ended 31 March 2016, representing an increase of approximately HK\$9.8 million or 39.7%. For the five months ended 31 August 2016, the revenue derived from service rendered for airline catering operators was approximately HK\$14.4 million, representing an increase of approximately HK\$0.3 million or approximately 2.1% from approximately HK\$14.1 million for the five months ended 31 August 2015.

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The following table summarises some of the premises serviced by the Group during the Track Record Period and up to the Latest Practicable Date:

Name of premises	Address	Services provided	Services area <i>(Note)</i>
<i>Commercial building/shopping arcades</i>			
Telford Plaza	No. 33 Wai Yip Street, Kowloon Bay	Environmental hygiene services	Shopping arcade, refuse collection points, management offices, carpark, loading bay, and public area of office tower
Paradise Mall and Heng Fa Chuen Club	100 Shing Tai Road, North Point	Environmental hygiene services	Shopping arcade, refuse collection points, management offices, carpark and loading bay
PopCorn & Lohas Park temporary market	9 Tong Yin Street, Tsueng Kwan O	Environmental hygiene services	Shopping arcade, refuse collection points, management offices, footbridges, loading bay, and taxi-lay by for Popcorn. Shopping arcade of Lohas Park temporary market
Ma On Shan Plaza	608 Sai Sha Road, Ma On Shan	Environmental hygiene services	Public area, 2/F and 3/F of shopping arcade, entrance of basement carpark, entrance of lobby and footbridges
AIA Hong Kong Tower	734 King's Road, Quarry Bay	Environmental hygiene services	Public and common areas from basement to roof and car parking spaces, etc
Discovery Bay Plaza	Discovery Bay, Lantau Island	Environmental hygiene services	Common areas, clubhouses, office centre, staff quarters and public recreation facilities, etc
Enterprise Square III	39 Wang Chiu Road, Kowloon Bay	Environmental hygiene services	Public and common areas

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Name of premises	Address	Services provided	Services area (Note)
Agricultural Bank of China Tower	50 Connaught Road Central, Hong Kong	Environmental hygiene services	Building, common areas and tenant areas, etc
Infinitus Plaza	199 Des Voeux Road Central, Hong Kong	Environmental hygiene services	Shopping arcade, office floor, toilets, external area and carpark, etc
AIA Tower	183 Electric Road, North Point, Hong Kong	Environmental hygiene services	All common areas of the premises such as ground floor entrance, lift and lift lobbies, corridors, public washroom, staircases, lifts and roof, etc
Enterprise Square V	38 Wang Chiu Road Kowloon Bay, Hong Kong	Environmental hygiene services	All common areas of office tower one such as lifts and lift lobbies, corridors, toilets and carpark, etc
MegaBox Shopping Mall	38 Wang Chiu Road, Kowloon Bay, Hong Kong	Environmental hygiene services	All public and common areas of the shopping arcade
Whampoa Garden Shopping Arcades of Sites 1-12	Whampoa Garden, Hung Hom, Kowloon, Hong Kong	Environmental hygiene services	All public and common areas of the shopping arcade

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Name of premises	Address	Services provided	Services area <i>(Note)</i>
<i>Residential premises</i>			
The Austin	8 Wui Cheung Road, Jordan, Kowloon, Hong Kong	Environmental hygiene services	Common areas of residential area, public area of the premises, service lift lobbies and back corridors, podium, car park and clubhouse, etc.
Grand Austin	9 Austin Road West, Kowloon, Hong Kong	Environmental hygiene services	Common areas of residential area, public area of the premises, service lift lobbies and back corridors, podium, car park and clubhouse, etc.
Phase 1–12, Discovery Bay	Discovery Bay, Lantau Island, Hong Kong	Environmental hygiene services	Common areas, clubhouse, office centre, staff quarters and public recreation facilities, etc
Richland Gardens	80 Wang Kwong Road, Kowloon, Hong Kong	Environmental hygiene services	Domestic blocks, open space and common areas, management office, commercial complex and carpark, etc
Chianti	Discovery Bay, Lantau Island	Environmental hygiene services	Common areas of residential area, landscaped area or common areas, customer service centre and swimming pool
Amalfi	Discovery Bay, Lantau Island	Environmental hygiene services	Common areas of residential area, landscaped area or common areas, customer service centre and swimming pool

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Name of premises	Address	Services provided	Services area <i>(Note)</i>
Positano	Discovery Bay, Lantau Island	Environmental hygiene services	Common areas of residential area, landscaped area or common areas, customer service centre and swimming pool
Beacon Heights	9-13, Lung Ping Road, Kowloon Tong	Environmental hygiene services	Main lobbies of all blocks, staircases, corridors of each floor, refuse room of all blocks, public area of the premises, carparks and clubhouse, etc
New Town Plaza Phase III	18 Sha Tin Centre Street, Sha Tin	Environmental hygiene services	Main lobbies of all blocks, staircases, corridors of each floor, refuse room of all blocks, public area of the premises, etc
Beverly Hill	6 Broadwood Road, Happy Valley, Hong Kong	Environmental hygiene services	Common and public areas of the premises
Riva	1 Ying Ho Road, Ha Ko Po Tsuen, Kam Tin, Yuen Long, N.T.	Environmental hygiene services	Common and public areas of the premises
<i>Transportation</i>			
MTR (East Rail, Ma On Shan Rail, West Rail and Light Rail)	Various stations along the rail lines	Environmental hygiene services	Track and tunnel, station shops, freight operations building, freight terminals, car park podium, Lo Wu storage building

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Name of premises	Address	Services provided	Services area (Note)
<i>Others</i>			
Chai Wan Industrial City (Phase II)	70 Wing Tai Road, Chai Wan, Hong Kong	Environmental hygiene services	Public area of the premises and carpark, etc
Wah Luen Industrial Building	15–21 Wong Chuk Yeung Street, Fotan, New Territories, Hong Kong	Environmental hygiene services	Public area of each floor of the premises, main entrance, lift lobby, lifts, property management office and car park, etc
Silka Far East Hotel	135–143 Castle Peak Road, Tsuen Wan	Environmental hygiene services	Refuse collection point
Silka Seaview Hotel	268 Shanghai Street, Yau Ma Tei	Environmental hygiene services	Refuse collection point
Dorsett Mongkok Hotel	88 Tai Kok Tsui Road Kowloon	Environmental hygiene services	Refuse collection point
Wilson Parking	Various locations in Kowloon & East N.T.	Environmental hygiene services	Common areas of the carpark, lobbies and lifts and shroff office etc
IKEA	Mega Box, Kowloon Bay	Environmental hygiene services	Common area of the premises, internal area, kitchen and toilets, etc
Jusco	Mega Box, Kowloon Bay	Environmental hygiene services	Office and storage area, sales area, public area, cargo lifts, loading bay and garbage room, kitchen and workshop, etc
Hong Kong Science and Technology Parks	Hong Kong Science Park, Shatin	Environmental hygiene services	Technology Incubation Centre
InnoCentre	72 Tat Chee Avenue, Kowloon Tong	Environmental hygiene services	2/F of the premises, management office and common room

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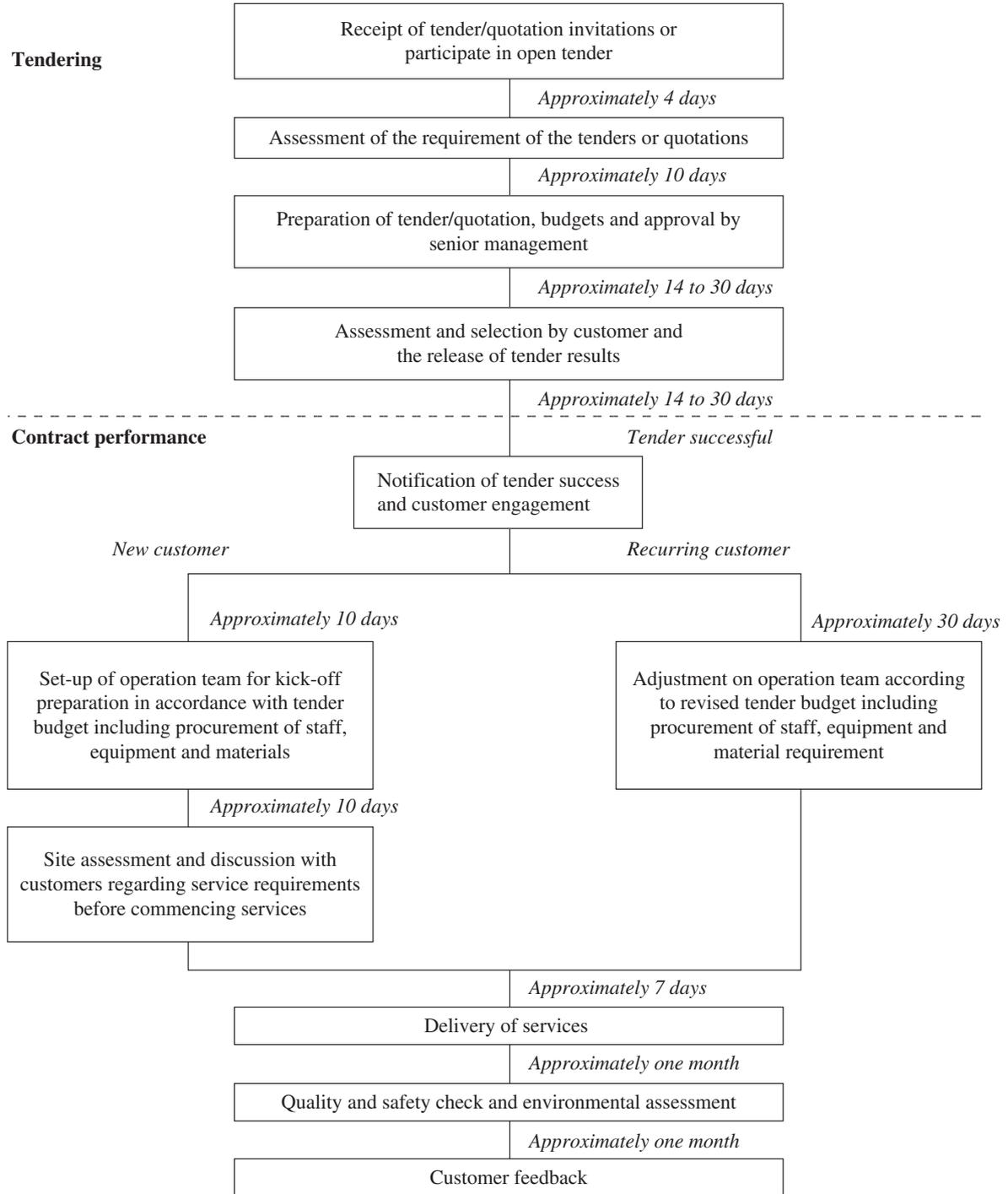
Name of premises	Address	Services provided	Services area <i>(Note)</i>
Piagio	Tedford Plaza, Kowloon Bay	Environmental hygiene services	Storage area, food court, toilets, office, staff area and locker rooms, etc
Kowloon Station Development Common Area	Kowloon Station Development, West Kowloon Reclamation, Kowloon	Environmental hygiene services	Stadium and reflective pool and public open spaces, common areas, driveway and ramp, etc
<i>Other</i>			
Cathay Pacific Catering Services, CPCS	11 Catering Road East Hong Kong International Airport, Lantau	Environmental hygiene services and airline catering support services	2/F of the premises for environmental hygiene services
LSG Chefs	6 Catering Road West, Hong Kong International Airport, Lantau	Environmental hygiene services and airline catering support services	Kitchen area, changing rooms and smoking area, car cleaning and canteen for environmental hygiene services
Broadway branches	Various locations on Hong Kong Island, in Kowloon and N.T.	Environmental hygiene services	Shop areas of the branches
The Bank of East Asia branches	Various locations at Kowloon Region	Environmental hygiene services	Branches at the Kowloon Region
China CITIC Bank branches	Various locations at New Territories, Kowloon and Hong Kong	Environmental hygiene services	Branches and offices

*Note:* Such environmental hygiene services provided by the Group did not cover the entire building or premises or all branches of a company

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## WORKFLOWS

Set out below is a general work-flow of the Group's operations for its environmental hygiene services and airline catering support services:



## **Tendering**

During the Track Record Period, most of the Group's revenue is derived from Tender Contracts constituting approximately 79.8%, 71.1% and 88.6% for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The Group receives tender or quotation invitations from potential customers or otherwise participate in open tenders. Upon the receipt of a tender or quotation invitation for a new project, the Group's marketing department will first make a preliminary assessment of the requirements of the tender or quotation and complete a notice for quotation preparation setting out details of the potential project including the name of the potential customer, service location, scope of services, staff requirement and the environmental and occupational health and safety requirements of the potential customers, if applicable. Based on this assessment, the senior management of the Group considers whether to bid for the tender or accept the request for a quotation. In relation to the existing service contracts which are about to expire, the general timeframe for submitting new tenders for supplying the same service to a particular customer is generally three months prior to expiry of the service contract.

The marketing department is responsible for preparing tenders and quotations for submitting to potential customers. In general, it takes approximately 10 days for preparation of tender/quotation, budgets and approval by senior management. In preparing a bidding proposal or quotation, the Group will take into account a number of factors including (i) the Group's minimum gross profit margin requirement; (ii) relationship and historical business record with that customer, if applicable; (iii) prevailing market rates and market trends; (iv) resources available and needs for procurement of additional resources (such as manpower, equipment and vehicles); (v) the need for engaging third party service providers; (vi) budget and cost and potential increase in cost during contract term (including the potential effect of statutory minimum wage requirement in particular); and (vii) applicable rules and regulations, for example environmental protection and occupational health and safety regulations. The Group may also obtain preliminary quotations from suppliers and third party service providers for materials and services required in order to have a preliminary estimation of the costs to be incurred. To ensure service quality, the Group has a stringent procedure for selecting suppliers as set out in the paragraphs headed "Suppliers and sub-contractors — Criteria for selecting suppliers and sub-contractors" in this section.

The tender or quotation sets out, among others, the scope and frequency of services, the contract terms and service fees chargeable by the Group, the payment terms, the equipment and materials to be used, and the human resources that will be deployed to perform the services, etc. Tenders or quotation will be submitted to the potential customers for consideration after being approved by the senior management of the Group. After receiving the formal contract from customers for accepting the tender or quotation, marketing team will double check whether the terms of the contract are consistent with that of the tender before final endorsement.

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The table below sets out the number of projects the Group has tendered for and the number of projects the Group has been awarded during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
			<b>2016</b>
Total number of projects tendered for	275	231	94
Total number of projects awarded	81	54	20
Tender success rate	29.5%	23.4%	21.3%

Tender success rate for the year ended 31 March 2016 and five months ended 31 August 2016 was lower than the tender success rate for the year ended 31 March 2015 principally because the Group was occupied with environmental hygiene services and airline catering support projects which was close to full service capacity, i.e a new major customer introduced in 2015 and became one of the top five customer during the year ended 31 March 2016 and five months ended 31 August 2016. Nevertheless, it was the Group's strategy to be responsive to customers' tender invitations and submit tenders to existing customers in order to maintain business relationship with existing customers and maintain the Group's presence in the market. Under such circumstances, taking account of the availability of manpower resources, servicing capacity, the number of projects the Group was working on at that time, expected increase in costs of materials, labour costs as well as complexity and length of contracts the Group tendered for, the Group had priced its tender with a higher profit margin which may cause the Group's tender price to be less competitive than the tenders submitted by competitors during the year ended 31 March 2016 and the five months ended 31 August 2016.

### **Contract performance**

When a service contract is awarded, the Group will proceed to execute the project pursuant to the contract terms. During the contract performance stage and taking into account the agreed timeline and delivery dates, the operations department is responsible for overseeing daily operations regarding the performance of services in accordance with the contract terms including the allocation of resources and the procurement of materials and equipment. The operations department is responsible for recruiting or allocating personnel and engaging third party service providers if needed to ensure sufficient manpower for delivering services under the contracts. For a project of new engagement, an operation team will first be formed for kick-off preparation in accordance with contract terms and budget including procurement of staff, equipment and materials. Site assessment and discussion with customers regarding service requirement will usually be carried out by a project manager and a site supervisor before service commencement date. For recurring customers, adjustments will be made by operation team according to the revised tender budget including staff, equipment and material requirement.

A team of cleaners and/or technical staff, led by a site supervisor and foreman, will be assigned to each contract, depending on the service venue and the scope of services under the contract. The site supervisor and foreman are responsible for ground-level supervision of service quality, ensuring adherence to the Group's operational guidelines, coordinating with ground staff, ensuring sufficient resources are available, ensuring the performance is on schedule and reporting to the operations department. Save as deploying the Group's own staff and equipment, the Group may also from time to

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time procure various equipment and labour support from third party service providers to perform certain part of projects that require special equipment or vehicle or projects that the Group consider more cost-effective to deploy third party service providers. The Directors believe that the procurement of services from third party service providers enables the Group to diversify the services offered to customers and to allocate resources in a more flexible and efficient manner as the Group does not need to acquire such machinery and maintain a large team of workers for ad-hoc or periodic projects.

### Quality check

The senior management of the Group closely monitors the quality of services provided to customers. On-site supervisory staff regularly check the quality of services performed, including services delivered by the Group's own staff and third party service providers, and record occasions of sub-standard performance for follow-up actions. Rectification works may also be performed upon receipt of feedbacks from customers in case services provided do not meet their expectations. To ensure services meet the customers' expectations, the senior management hold regular meetings with on-site supervisory staff to review and discuss various aspects of operations. During the Track Record Period, the Group did not receive any material claims from customers in respect of the quality of services provided.

### CUSTOMERS

During the Track Record Period, the Group's revenue was mainly derived from private sectors, which constituted approximately 63.4%, 62.9% and 62.1% of the Group's total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The table below sets out a breakdown of the Group's total revenue during the Track Record Period according to the Group's customers' categorisation:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sectors ( <i>Note 1</i> )	233,986	63.4	282,777	62.9	116,541	64.3	118,933	62.1
Public sectors ( <i>Note 2</i> )	<u>135,226</u>	<u>36.6</u>	<u>166,981</u>	<u>37.1</u>	<u>64,681</u>	<u>35.7</u>	<u>72,455</u>	<u>37.9</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

*Notes:*

1. Private sectors mainly represent privately-owned companies.
2. Public sectors mainly consist of departments of the Hong Kong Government, Hong Kong authorities and companies or entities with substantial government investment or influence.

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### Top customers

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the percentage of the total revenue attributable to the largest customer amounted to approximately 33.8%, 37.3% and 37.9%, respectively, while the percentage of the total revenue attributable to the five largest customers in aggregate amounted to approximately 62.4%, 65.9% and 66.6%, respectively. Since the Group has established a relatively broad customer base ranging from various government departments in Hong Kong and subsidiaries of multi-national companies to tenants of various premises, accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single customer.

Set out below is a breakdown of the Group's revenue by major customers:

*Five months ended 31 August 2016*

Rank	Customer	Revenue HK\$'000	As % of total revenue %
1.	Customer A	72,562	37.9
2.	Customer B	22,359	11.7
3.	Customer C	15,918	8.3
4.	Customer D	10,487	5.5
5.	Customer E	6,210	3.2
<b>Five largest customers combined</b>		127,536	66.6
All other customers		63,852	33.4
<b>Total revenue</b>		191,388	100.0

*Year ended 31 March 2016*

Rank	Customer	Revenue HK\$'000	As % of total revenue %
1	Customer A	167,547	37.3
2	Customer B	52,397	11.6
3	Customer C	36,568	8.1
4	Customer D	25,314	5.6
5	Customer E	14,708	3.3
<b>Five largest customers combined</b>		296,534	65.9
All other customers		153,224	34.1
<b>Total revenue</b>		449,758	100.0

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*Year ended 31 March 2015*

<b>Rank</b>	<b>Customer</b>	<b>Revenue</b> <i>HK\$'000</i>	<b>As % of total</b> <b>revenue</b> %
1	Customer A	124,972	33.8
2	Customer B	47,187	12.8
3	Customer C	34,618	9.4
4	Customer E	12,247	3.3
5	Customer F	11,285	3.1
	<b>Five largest customers combined</b>	230,309	62.4
	All other customers	138,903	37.6
	<b>Total revenue</b>	369,212	100.0

The Group has secured new projects mainly through the submission of tenders/quotations to customers during the Track Record Period. The Directors are of the view that given the Group's technical expertise, reputation and relationships with existing customers, the Group does not rely heavily on marketing and promotional activities to obtain new projects. The executive Directors and senior management are generally responsible for maintaining the relationships with customers and keeping abreast of any market development and potential business and expansion opportunities.

The Directors have confirmed that none of the Group's five largest customers during the Track Record Period are connected persons of the Company. None of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest customers of the Group during the Track Record Period.

To the best knowledge and belief of the Directors, none of the Group's five largest customers of the Group during the Track Record Period is also a supplier of the Group.

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The table below sets forth the background information of the Group's top customers mentioned in the above table:

Customer	Services provided by the Group	Principal business	Location	Years of business relationship (approximately) <i>(Note)</i>	Credit terms
Customer A	— Environmental hygiene service	Transport operations; station commercial businesses; property rental and management; and property development	Hong Kong	Over 20 years	30 days
Customer B	— Environmental hygiene services  — Airline catering support services	Airline catering operator	Hong Kong	Over 3 years	45 days to 75 days
Customer C	— Environmental hygiene services	Property management	Hong Kong	Over 9 years	30 days
Customer D	— Environmental hygiene services  — Airline catering support services	Airline catering operator	Hong Kong	Over 2 years	30 days
Customer E	— Environmental hygiene services	Property management	Hong Kong	Over 9 years	30 days to 60 days
Customer F	— Environmental hygiene services	Property management	Hong Kong	Over 6 years	30 days

*Note:* The years of business relationship were consecutive from the time of initial business dealings.

Customer A is a Hong Kong listed company and its principal activities are (i) transport operations; (ii) station commercial businesses; (iii) property rental and management; (iv) property development; (v) railway, property rental and management businesses outside Hong Kong; (vi) PRC property development and other businesses.

Customer B is principally engaged in airline catering services. It is a Hong Kong incorporated company which is a subsidiary of a Hong Kong listed company whose principal activities are operating scheduled airline services, airline catering, aircraft handling, aircraft engineering and cargo terminal operation.

Customer C is principally engaged in property management services. It is a Hong Kong incorporated company which is a subsidiary of a Hong Kong listed company whose principal activities are development, management and provision of essential and recreational services for residential housing and leisure projects, other property development, property investment, hotel operations and provision of healthcare services.

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Customer D is principally engaged in airline catering services. It is a Hong Kong incorporated company which is a subsidiary of a German listed airline operator.

Customer E is principally engaged in property management services. It is a Hong Kong incorporated company which is a subsidiary of a Hong Kong listed company whose principal activities are property development, investment and management; hotel ownership and operations; integrated logistics and international freight forwarding.

Customer F is principally engaged in property management services. It is a Hong Kong incorporated company which is a subsidiary of a Hong Kong listed company whose principal activities are property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure businesses and securities, ownership and leasing of movable assets.

### **Customer concentration**

The Group's top five customers accounted for approximately 62.4%, 65.9% and 66.6% of its total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively, while approximately 33.8%, 37.3% and 37.9% of the Group's total revenue were attributable to its largest customer for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The Directors believe that the Group is not reliant on any single customer because:

- (i) The Group has been tendering projects among major service contracts, and the Directors consider that the Group maintained complementary business relationships with major customers in view of the Group's experience and proven track record as a quality service provider and also the business advantage given to major customers as the Group is well aware of the requirements imposed by these customers and hence it can deliver the services in accordance with the customers' quality standards in a more efficient way. In the event that any one of the major customers substantially reduces the number of contracts placed with the Group or terminates its business relationship, the Directors consider that the Group would have an adequate network to source new projects;
- (ii) The Directors are also of the view that given the Group's reputation in the industry and projects which the Group has participated in during Track Record Period, the Group would be able to establish new business relationships with other customers. For example, Customer D was a new customer the Group started business with in 2015 and became one of the five largest customers for the year ended 31 March 2016; and
- (iii) The management has a proven track record of exploring new business opportunities and integrating such opportunities with the existing business to create value for customers, such as extending the service package of Customer B from general cleaning services to airline catering support services since 2013.

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### Customer contracts

The Group enters into mainly two types of contracts: Tender Contracts and Quotations. The following table sets forth the breakdown of revenue by types of contracts:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tender Contracts	294,658	79.8	319,585	71.1	163,043	90.0	169,628	88.6
Quotations	<u>74,554</u>	<u>20.2</u>	<u>130,173</u>	<u>28.9</u>	<u>18,179</u>	<u>10.0</u>	<u>21,760</u>	<u>11.4</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

For all the services provided to the customers covering environmental hygiene services and airline catering support services, the Group generally enters into service contracts with customers for a specific period of time. During the two years ended 31 March 2016 and the five months ended 31 August 2016, the number of customers served was 778, 890 and 869, respectively. The following table sets out the number of customers served by the Group by types of contract during the Track Record Period:

	As at 31 March		As at
	2015	2016	31 August 2016
Number of customers under Tender Contracts	65	63	69
Number of customers under Quotations	<u>713</u>	<u>827</u>	<u>800</u>
Number of customers	<u><u>778</u></u>	<u><u>890</u></u>	<u><u>869</u></u>

### *Tender Contracts*

Tender Contracts are legally binding service contracts entered into mainly with property management companies, owners of various building premises, operators of hotels and public transportation as well as Hong Kong Government and airline catering operators, which appoint the Group as the service provider for the provision of the services at their building premises and public facilities with a fixed contract period which almost all of them ranged from one to three years and are awarded to the Group through tendering or bidding process during the Track Record Period. Many of the Tender Contracts offered comprehensive range of environmental hygiene services, pest management services or airline catering support services in one package. In addition to these packaged-service contracts, the Group also offer value-added services to the customers under the Tender Contracts, such as pest management, marble floor maintenance, external curtain wall and window cleaning under stand-alone service contracts on a regular basis. The Directors confirmed that there was not any material breach of its Tender Contracts during the Track Record Period.

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For each of the Track Record Period, the Group had a total number of 65, 63 and 69 customers under the Tender Contracts and generated revenue of approximately HK\$294.7 million, HK\$319.6 million and HK\$169.6 million respectively, representing approximately 79.8%, 71.1% and 88.6% of the Group's total revenue for the two years ended 31 March 2016 and the five months ended 31 August 2016. The Group's tender success rate (as calculated by the number of successful tender during the respective year divided by the total number of contracts that the Group tendered during the relevant year) was approximately 29.5%, 23.4% and 21.3% for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Given the Tender Contracts will expire after a specified period of time, the Group needs to bid for new tenders again before expiry of the relevant contracts for most of the service contracts, and the Group normally does not have the right of first refusal for the contracts of the next period, especially for those customers who are governmental departments or who are large scale corporations as they normally choose service providers through open tender process. In addition, the demand of customers may vary from year to year and the tenders which are open for bidding vary from year to year. Depending on the requirements of the tenders and factors including competition, pricing and budgets, the Group may or may not participate in or successfully bid for the same tenders each year. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group had successfully renewed 59 out of 68 expiring Tender Contracts, 48 out of 69 expiring Tender Contracts and 17 out of 23 expiring Tender Contracts, respectively, representing a renewal rate (as calculated by the number of contracts renewed during the year divided by the total number of contracts expired during the relevant year) of approximately 86.8%, 69.6% and 73.9%, respectively.

### *Quotations*

Apart from Tender Contracts, the Group also entered into legally binding Quotations with its customers. Quotations are service contracts that relate to services offered to tenants of the tenanted area of office buildings, shopping arcades and residential complexes where the Group provides services under the Tender Contracts on a regular basis as well as ad-hoc or one-off basis which generally involves a limited scope of services. Under the Quotations, the Group provides its services under the scope and charges prescribed in service quotations accepted by customers. For non one-off Quotations, contract terms are either indefinite or usually for a term of one year, which shall remain in force with the same terms unless and until a new contract is executed, and could be terminated by either party serving one-month prior notice. The terms and conditions of the Quotations with regular services may be reviewed annually and adjustment on service charges or service scope may be applied under mutual agreement. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group had a total number of 713, 827 and 800 customers under the Quotations and generated the aggregate revenue amount attributable to Quotations was approximately HK\$74.6 million, HK\$130.2 million and HK\$21.8 million, respectively.

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The table below sets out the breakdown of material service contracts with reference to the Group's customer sectors during the Track Record Period:

	Year ended 31 March		Five months ended
	2015	2016	31 August
	2016		2016
<b>Number of contracts</b>			
<b>Environmental hygiene services</b>			
— Office and commercial centres	30	33	31
— Residential premises	33	32	23
— Transportation	2	2	2
— Others	42	35	37
<b>Sub-total</b>	107	102	93
<b>Airline catering support services</b>	2	2	2
<b>Total</b>	109	104	95

**Range of contract period (months) (Note 1)**

<b>Environmental hygiene services</b>			
— Office and commercial centres	12–36	12–36	12–36
— Residential premises	12–24	0.5–24	4–36
— Transportation	36	36	24
— Others	1–36	1–36	3–36
<b>Airline catering support services</b>	12–24	24	24

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	Year ended 31 March		Five months ended
Range of approximate monthly service fee (HK\$'000)	2015	2016	31 August 2016
<b>Environmental hygiene services</b>			
— Office and commercial centres	0.6–1,075	0.6–1,232	12–1,152
— Residential premises	2.9–1,645	3.8–1,716	3–1,827
— Transportation	4,367–5,844	4,739–7,148	4,739–6,367
— Others	0.2–1,978	0.2–2,302	2–2,180
<b>Airline catering support services</b>	564–2,125	679–2,266	1,984–2,131
 <b>Range of expiry dates</b>			
<b>Environmental hygiene services</b>			
— Office and commercial centres	30 April 2015 to 30 June 2017	30 April 2015 to 31 May 2018	30 June 2016 to 31 July 2018
— Residential premises	30 June 2014 to 30 April 2017	30 June 2015 to 31 July 2017	30 April 2016 to 30 April 2019
— Transportation	31 October 2015	31 October 2017	31 October 2017
— Others	31 March 2015 to 31 July 2017	30 June 2015 to 31 March 2018	31 May 2016 to 30 June 2018
<b>Airline catering support services</b>	31 July 2015 to 31 December 2016	31 July 2016 to 31 December 2016	31 December 2016 to 31 July 2018
 <b>Approximate average monthly service fees (HK\$'000)</b>			
<b>Environmental hygiene services</b>			
— Office and commercial centres	5,522	9,898	10,791
— Residential premises	4,432	4,836	4,525
— Transportation	10,403	11,144	11,106
— Others	8,354	8,728	8,983
<b>Sub-total</b>	28,711	34,606	35,405
<b>Airline catering support services</b>	2,056	2,874	2,872
<b>Total</b>	30,767	37,480	38,277

*Note:*

- (1) The Group has Quotations which do not specify a specific period but instead end on completion of the service or prior notice to the other party. This kind of quotation is not included for the purpose of analysing the range of contract period in this table.

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The following tables set out the breakdown of the outstanding contract value of unexpired material services contracts (without taking into account ad-hoc or one-off contracts) as at the Latest Practicable Date:

	<b>Approximate outstanding contract value from the Latest Practicable Date to 31 March 2017 (Note) (HK\$ million)</b>	<b>Approximate outstanding contract value from 1 April 2017 to 31 March 2018 (HK\$ million)</b>	<b>Approximate outstanding contract value after 31 March 2018 (HK\$ million)</b>
<b>Environmental hygiene services</b>			
— Office and commercial centres	40.6	93.5	30.6
— Residential premises	20.6	49.8	20.1
— Transportation	43.3	75.8	—
— Others	19.6	46.2	19.9
<b>Sub-total</b>	<b>124.1</b>	<b>265.3</b>	<b>70.6</b>
<b>Airline catering support services</b>	<b>14.2</b>	<b>47.7</b>	<b>29.8</b>
<b>Total</b>	<b>138.3</b>	<b>313.0</b>	<b>100.4</b>

	<b>Number of current contracts</b>	<b>Approximate outstanding contract value of current contracts (Note) (HK\$ million)</b>	<b>Range of contract period (months)</b>	<b>Approximate average monthly service fee per contract (HK\$'000)</b>
<b>Environmental hygiene services</b>				
— Office and commercial centres	38	164.7	2–36	313.0
— Residential premises	25	90.5	6–48	272.0
— Transportation	2	119.1	24	5,417.0
— Others	64	85.7	3.5–35	110.8
<b>Sub-total</b>	<b>129</b>	<b>460.0</b>		
<b>Airline catering support services</b>	<b>2</b>	<b>91.7</b>	<b>2–24</b>	<b>3,052.0</b>
<b>Total</b>	<b>131</b>	<b>551.7</b>		

*Note:* Reference to outstanding contract value above means revenue not yet recognised in combined statements of comprehensive income as at the Latest Practicable Date from such unexpired service contracts.

**General terms of contracts with customers**

*(i) Term and termination*

A majority of the service contracts that the Group entered into are for terms ranging from one to three years. Tender Contracts generally include a termination clause giving both parties the right to terminate in different circumstances. In certain Tender Contracts, each party can terminate the contract by prior notice of not less than around one to three months to the other party, or immediately in the event of non-compliance with any provisions in the contract or by mutual agreement. The service period of Quotations are generally shorter than that under the Tender Contracts. Quotations may specify no service period but instead continue until completion of the service or prior notice by one party to the other party.

*(ii) Service specifications*

The Group is required to perform services in accordance with the service specifications under the service contracts which set out the service scope and service frequency. The service contracts may also specify the manpower and machinery and equipment that the Group is required to deploy for the project. Depending on the terms of the service contracts, customers may have the right to deduct the service fees payable by them or employ other service providers to rectify and execute the outstanding works at the Group's expenses if the Group fails to comply with the manpower deployment requirements specified in the respective service contracts or if the Group fails to perform the services to the satisfaction of customers in accordance with the contract terms.

*(iii) Insurance against liabilities*

The Group may be required to indemnify customers for among others, liabilities in respect of (i) personal injury or death of any person or damage to any property arising out of the performance of services under the service contract; and (ii) breach of the service contract. The Group may also be required to effect adequate insurance cover in respect of such risks and any other liability in respect of the Group's staff and other persons who may be employed for the works as well as other third party liabilities.

*(iv) Indemnity against breach of contracts*

Depending on the terms of the service contracts, customers are entitled to terminate the service contracts by giving prior written notice if the Group breaches any contract terms and the Group is required to fully indemnify customers from and against all claims, actions, losses, damages, costs, expenses (including but not limited to legal costs) and charges arising therefrom.

*(v) Compliance with safety measures*

The Group is required to comply with the safety requirements under all the relevant laws and regulations in Hong Kong. Relevant laws and regulations include the Labour Ordinance (Chapter 57 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and

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Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). Furthermore, the Group is responsible for the safety of not only its own staff but also the public and keeping the works orderly and avoiding dangers during its the course of operations.

### *(vi) Surety bond*

As specified in certain Tender Contracts by some of the customers, surety bond is required to ensure performance standard.

The surety bond is generally required to be provided within a period of 14 days to 30 days after a Tender Contract is awarded to the Group. During the Track Record Period, the amounts of surety bonds required generally represented a portion of the relevant contract sum ranging from approximately 5% to 10%. As at 31 March 2015 and 2016 and 31 August 2016, surety bonds issued by banks to customers amounted to approximately HK\$20.8 million, HK\$25.5 million and HK\$25.4 million, respectively. The surety bonds are generally released after the completion of the relevant service contract. The surety bonds were issued by banks in favour of the relevant customers. As such, the Group does not recognise any liabilities on the combined statements of financial position until such surety bonds are deducted by customers due to breaches of contract terms. The Company confirms that during the Track Record Period and as at the Latest Practicable Date, there was no deduction from the surety bonds by customers due to breach of contracts.

In addition, certain customers require the Group to indemnify them on demand against and in respect of all losses, claims, damages costs and expenses that arise from default of the Group or the Group shall become liable in contract to the customer in connection with the services to be performed. During the Track Record Period and as at the Latest Practicable Date, the Directors confirmed that there was no record of any material claims for breach of contracts from the customers.

### *(vii) Service fees and payments*

Normally the Group charges customers on a monthly rate basis and they are required to settle the service fee monthly in arrears. Ad-hoc or additional one-off services are charged upon completion of services. The Directors confirm that they are not aware of any material difference in the terms of the service contracts the Group entered into with customers during the Track Record Period and up to the Latest Practicable Date.

Most of the contracts of the Group are Tender Contracts and the terms of the tenders are pre-set by the customers which may not include price adjustment mechanism except for the minimum wage changes. Accordingly, the Group may bear the risk of costs overrun as set out in the section headed "Risk factors" in this prospectus. Meanwhile, service fees may be reduced in cases where the service contracts give customers the right to deduct service fees payable if third party service providers are engaged to rectify defects in the Group's services or other matters not to the client's satisfaction, execution of outstanding works or if there is delay in completion without a valid and justifiable reason. The Directors confirm that the Group had not experienced any cases that service fees were materially reduced by customers for the aforesaid reasons during the Track Record Period.

### **Pricing strategies**

The pricing policy of the Group takes into account various factors and some of the material factors include: the Group's minimum gross profit margin requirement, labour cost, material cost, competitor strategy, and degree of difficulty, any support from surrounding and market value. If any contract turns out to be loss-marking in a particular year, the contract sum will be revised in the coming renewal.

In light of the increasing labour costs and the labour-intensive nature of the Group's business, it is important to accurately estimate the project cost in preparing tenders or quotations. The Directors believe that customers expect accurate assessment of cost (which should take into consideration potential increases in labour costs) prior to entering into any service contracts or submitting any biddings for tenders/provide any fee quote. Furthermore, most of the contracts of the Group are Tender Contracts and the terms of the tenders are pre-set by the customers which may not include price adjustment mechanism except for the minimum wage changes. Accordingly, the Group generally relies on its accurate assessment of costs in the stage of preparing terms of initial offer as a way to pass potential increase in service costs to customers and to tackle the risk of cost increment over time, and rely on the Group's cost control measures to avoid cost overrun. Furthermore, as Tender Contracts generally have a service period of one to three years (and the service period for Quotations being even shorter), the Group would need to take into account potential increase in costs during the contract term when preparing tenders or quotations.

### **Cost controls and project monitoring**

As at the Latest Practicable Date, the Group had adopted the following measures to control the Group's overall operational costs and monitor specific project for the purposes of avoiding cost overrun and incurring excess costs:

*i. Project monitoring*

The Group formulates budget mainly on a project basis. Based on experience, senior management of the Group estimate costs carefully when providing tender submission or fee quotation to customers. Based on the site supervisor or foreman's report and customer feedback, the Group is able to monitor the progress of each project. If the Group identifies material cost overrun with reference to the original estimates of the monthly budget, management will investigate the causes and assess the overrun to see if any follow-up actions are required.

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### *ii. Approval procedure for incurring additional costs*

The Group also has procedures to accommodate for situations when additional expenditures are required subject to sufficient justification and supporting documentation. For example, departments may submit application for purchases of extra equipment and supplies and engagement of part-time staff, third party service providers provided there is:

- (a) proof as to necessity: foreman will inspect the location and assess whether in the situation additional resources are necessary;
- (b) cost justification: reasonable estimation as to costs with basis; and
- (c) final approval: based on the above information, approval by senior management.

### **Credit policy**

In general, the Group grants credit period to its major customers ranges from 30 days to 75 days from the date of billing. Long-overdue payments are monitored continuously and evaluated on a case-by-case basis with respect to the appropriate follow-up actions to be taken, taking into consideration the customer's normal payment practice and payment history, the Group's relationship with the customer and the then general economic environment. During the Track Record Period, follow-up actions by the Group for recovering long-overdue payments included issue of payment reminders and active communications with the customers.

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the average trade receivable turnover days were approximately 60.5 days, 56.4 days and 61.9 days, respectively. Payment by the customers to the Group was usually made by way of cheque.

### **Marketing activities**

Due to the Group's long history in Hong Kong, the Group's strength in bidding for large scale projects and the well-established relationship with existing customers, the Group is able to rely on existing customer base, reputation and invitation to bid such that the Group does not rely heavily on promotional materials. Both marketing and operations department are responsible for liaising and maintaining relationship with customers as well as other marketing activities. In addition, the Group has designated in-house staff to monitor notices, news and information in the media in connection with tenders relating to environmental hygiene services and airline catering support services works.

### **Seasonality**

The Group has not experienced material seasonal fluctuations in revenue given that (i) most of the revenue during the Track Record Period was derived from Tender Contracts which were generally for a period of one to three years and the Group provided monthly invoice to customers for a relatively fixed amount; and (ii) due to the diversification of the Group's services.

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### SUPPLIERS AND SUB-CONTRACTORS

During the Track Record Period, suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included:

- (i) sub-contractors engaged by the Group mainly to provide refuse removal services;
- (ii) manpower suppliers to supply manpower to perform general environmental hygiene services;
- (iii) material suppliers to supply consumables and equipment used in the provision of environmental hygiene services and airline catering support services; and
- (iv) suppliers of other miscellaneous goods and services required for its business operations.

The Group did not experience any shortage of suppliers of goods and services during the Track Record Period.

The following table sets forth a breakdown of the Group's cost of services during the Track Record Period by nature:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Direct labour costs	258,138	82.4	292,704	76.8	120,585	78.6	120,922	74.1
Manpower supplier charges	35,736	11.4	65,336	17.1	23,541	15.3	32,481	19.9
Sub-contracting charges	6,784	2.2	9,044	2.4	3,442	2.2	4,016	2.5
Consumables	12,419	4.0	13,510	3.5	5,499	3.6	5,512	3.4
Miscellaneous goods and services	<u>5</u>	<u>—</u>	<u>688</u>	<u>0.2</u>	<u>385</u>	<u>0.3</u>	<u>304</u>	<u>0.1</u>
<b>Total</b>	<u><u>313,082</u></u>	<u><u>100.0</u></u>	<u><u>381,282</u></u>	<u><u>100.0</u></u>	<u><u>153,452</u></u>	<u><u>100.0</u></u>	<u><u>163,235</u></u>	<u><u>100.0</u></u>

In the event that additional equipment or staff is needed for a project, the Group will engage sub-contractors for provision of general environmental hygiene services for resources utilisation consideration, and all the sub-contractors are Independent Third Parties. The Group has maintained business relationship with its sub-contractors ranging from 1 to 7 years.

Please refer to the section “Financial information — Principal components of results of operations — Cost of services” in this prospectus for a discussion of the fluctuation in purchases from suppliers during the Track Record Period as shown in the above table.

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The table below sets forth a breakdown of the Group's segment gross profit and gross profit margin during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2015			2016		
	As % of	Gross		As % of	Gross		As % of	Gross		As % of	Gross	
	Gross total gross	profit	Gross total gross	profit	profit	Gross total gross	profit	profit	Gross total gross	profit	profit	
	profit	margin	profit	profit	margin	profit	profit	margin	profit	profit	margin	
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%	
	(unaudited)											
Environmental hygiene services	51,734	92.2	15.0	62,284	91.0	15.0	24,953	89.9	14.9	25,927	92.1	14.7
Airline catering support services	<u>4,396</u>	<u>7.8</u>	17.8	<u>6,192</u>	<u>9.0</u>	18.0	<u>2,817</u>	<u>10.1</u>	20.0	<u>2,226</u>	<u>7.9</u>	15.5
<b>Total</b>	<u><u>56,130</u></u>	<u><u>100.0</u></u>	15.2	<u><u>68,476</u></u>	<u><u>100.0</u></u>	15.2	<u><u>27,770</u></u>	<u><u>100.0</u></u>	15.3	<u><u>28,153</u></u>	<u><u>100.0</u></u>	14.7

During the Track Record Period, gross profit of the Group increased from approximately HK\$56.1 million for the year ended 31 March 2015 to HK\$68.5 million for the year ended 31 March 2016 which was in line with expanded revenue of the Group, and the Group maintained a profit margin of approximately 15.2% for both years. The gross profit of the Group increased from approximately HK\$27.8 million for the five months ended 31 August 2015 to approximately HK\$28.2 million for the five months ended 31 August 2016, which was in line with the expanded revenue of the Group. The gross profit margin of the Group for the five months ended 31 August 2016 was approximately 14.7% and was at similar level with that of approximately 15.3% for the five months ended 31 August 2015. The Directors consider that (i) the Group's capability in accurate assessment of costs and the Group generally required a minimum gross profit margin in tendering process; (ii) most of the Group's revenue was derived from Tender Contracts which have a service period of one to three years; and (iii) the Group closely monitored the cost of operation team at different sites to avoid cost overrun secured a stable gross profit margin of the Group.

### *Environmental hygiene services*

Gross profit of environmental hygiene services segment increased from approximately HK\$51.7 million for the year ended 31 March 2015 to approximately HK\$62.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$10.6 million, or 20.5%. The gross profit margin of environmental hygiene service segment maintained at approximately 15.0% for both years. Gross profit of environmental hygiene services segment increased from approximately HK\$25.0 million for the five months ended 31 August 2015 to approximately HK\$25.9 million for the five months ended 31 August 2016, representing an increase of approximately 3.9%. The gross profit margin of this sector for the five months ended 31 August 2016 was approximately 14.7% and was at similar level with that of approximately 14.9% for the five months ended 31 August 2015. The Directors are of the view that gross profit margin in this sector is relatively lower due to the nature of environmental hygiene services is labour-intensive whereas the level of skills required is relatively low. Besides, environmental hygiene services are rendered in multiple locations with large gross floor areas, and some of the customers may require a guaranteed headcount presence according to the services contracts, accordingly, environmental hygiene services involve relatively large workforce, resulting in relatively lower gross profit margin.

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### *Airline catering support services*

Gross profit of airline catering support services segment increased from approximately HK\$4.4 million for the year ended 31 March 2015 to approximately HK\$6.2 million for the year ended 31 March 2016, representing an increase of approximately HK\$1.8 million, or 40.9%. Such increase primarily reflecting the aforementioned enlarged customer base and contract scale of airline catering support services during the year ended 31 March 2016. The gross profit margin of airline catering support services segment maintained at approximately 17.8% and 18.0% for each of the two years ended 31 March 2015 and 2016, respectively. Gross profit of airline catering support services segment decreased from approximately HK\$2.8 million for the five months ended 31 August 2015 to approximately HK\$2.2 million for the five months ended 31 August 2016, representing a decrease of approximately 21.4%. The gross profit margin of this sector for the five months ended 31 August 2016 was approximately 15.5% and was lower than that of approximately 20.0% for the five months ended 31 August 2015. The Directors consider that gross profit margin in this sector is relatively higher due to that (i) the location of airline catering support services is solely in airline catering premises which increased the difficulty in procurement of manpower, hence the Group would charge a higher service rate as compared with that of environmental hygiene services; and (ii) as different job nature of airline catering support services, the costs of consumables were generally lower than that of environmental hygiene services when carrying out services.

### *Sensitivity analysis*

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in direct labour costs, manpower supplier charges and sub-contracting costs on gross profit and profit for the year for each period during the Track Record Period. The sensitivity analysis is performed for reasonably possible changes in assumptions regarding the direct labour costs, manpower supplier charges and sub-contracting costs of each year with all other assumptions held constant.

	Hypothetical fluctuation (Note)	Year ended 31 March 2015		Year ended 31 March 2016		Five months ended 31 August 2016	
		Increase/ (decrease) in percentage	Increase/ (decrease) in gross profit HK\$'000	Increase/ (decrease) in profit for the year HK\$'000	Increase/ (decrease) in gross profit HK\$'000	Increase/ (decrease) in profit for the year HK\$'000	Increase/ (decrease) in gross profit HK\$'000
Direct labour costs	10%	(25,814)	(21,555)	(29,270)	(24,440)	(12,092)	(10,097)
	(10%)	25,814	21,555	29,270	24,440	12,092	10,097
Manpower supplier charges and sub-contracting charges	10%	(4,252)	(3,550)	(7,438)	(6,211)	(3,650)	(3,048)
	(10%)	4,252	3,550	7,438	6,211	3,650	3,048

*Note:* The increase or decrease in percentage of hypothetical fluctuation was based on the rate of increase in the average monthly wages of workers in Hong Kong during the Track Record Period.

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### *Breakeven analysis*

For the year ended 31 March 2015, it is estimated that (i) with a decrease in turnover of approximately 3.9% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 4.6% and all other variables held constant, the Group would achieve breakeven.

For the year ended 31 March 2016, it is estimated that (i) with a decrease in turnover of approximately 4.2% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 4.9% and all other variables held constant, the Group would achieve breakeven.

For the five months ended 31 August 2016, it is estimated that (i) with a decrease in turnover of approximately 2.8% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 3.3% and all other variables held constant, the Group would achieve breakeven.

### **Top suppliers**

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the percentage of the total purchases attributable to the largest supplier amounted to approximately 45.2%, 54.9% and 59.7%, respectively, while the percentage of the total purchases attributable to the five largest suppliers combined amounted to approximately 89.5%, 83.0% and 84.0%, respectively.

Set out below is a breakdown of the Group's purchase by major suppliers:

#### *Five months ended 31 August 2016*

<b>Rank</b>	<b>Supplier</b>	<b>Purchase</b> <i>HK\$'000</i>	<b>As % of total</b> <b>purchases</b> %
1.	Supplier A	22,673	59.7
2.	Supplier G	3,334	8.8
3.	Supplier C	2,287	6.0
4.	Supplier H	1,901	5.0
5.	Supplier E	1,728	4.5
	<b>Five largest suppliers combined</b>	31,923	84.0
	All other suppliers	6,070	16.0
	<b>Total purchases</b>	37,993	100.0

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*Year ended 31 March 2016*

<b>Rank</b>	<b>Supplier</b>	<b>Purchase</b> <i>HK\$'000</i>	<b>As % of total</b> <b>purchases</b> %
1	Supplier A	43,264	54.9
2	Supplier B	8,765	11.1
3	Supplier C	5,635	7.1
4	Supplier D	3,974	5.0
5	Supplier E	3,766	4.9
<b>Five largest suppliers combined</b>		65,404	83.0
All other suppliers		13,442	17.0
<b>Total purchases</b>		78,846	100.0

*Year ended 31 March 2015*

<b>Rank</b>	<b>Supplier</b>	<b>Purchase</b> <i>HK\$'000</i>	<b>As % of total</b> <b>purchases</b> %
1	Supplier A	21,745	45.2
2	Supplier B	9,667	20.1
3	Supplier C	5,308	11.0
4	Supplier D	3,579	7.4
5	Supplier F	2,803	5.8
<b>Five largest suppliers combined</b>		43,102	89.5
All other suppliers		5,053	10.5
<b>Total purchases</b>		48,155	100.0

None of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of the Group during the Track Record Period.

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The table below sets forth the background information of the Group's top suppliers mentioned in the above tables:

<b>Supplier</b>	<b>Types of suppliers</b>	<b>Services provided to the Group</b>	<b>Principal business</b>	<b>Location</b>	<b>Years of business relationship</b>	<b>Payment terms</b>
Supplier A	Manpower supplier	Supply of manpower for provision of environmental hygiene services	Personnel consultant and agency	Hong Kong	Over 3 years	15 days
Supplier B	Manpower supplier	Supply of manpower for provision of environmental hygiene services	General trading and services	Hong Kong	Over 2 years	15 days
Supplier C	Material supplier	Supply of cleaning materials	Manufacturing, trading and consultancy	Hong Kong	Over 5 years	30 days
Supplier D	Manpower supplier	Supply of manpower for provision of environmental hygiene services	Personnel consultant and agency	Hong Kong	Over 2 years	15 days
Supplier E	Manpower supplier	Supply of manpower for provision of environmental hygiene services	Cleaning and environmental services	Hong Kong	Over 2 years	15 days
Supplier F	Material supplier	Supply of cleaning materials	Provision of cleaning materials	Hong Kong	Over 5 years	90 days
Supplier G	Manpower supplier	Supply of manpower for provision of environmental hygiene services	Manpower supply for cleaning services	Hong Kong	Over 1 year	15 days
Supplier H	Manpower supplier	Supply of manpower for provision of environmental hygiene services	Manpower supply for cleaning services	Hong Kong	Over 1 year	15 days

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Supplier A is a private company incorporated in Hong Kong with limited liability. Its principal business is the provision of personnel consultant and agency services.

Supplier B is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of general trading and services.

Supplier C is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the manufacturing, trading and consultancy services.

Supplier D is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of personnel consultant and agency services.

Supplier E is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of cleaning and environmental services.

Supplier F is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of cleaning materials.

Supplier G is a private company incorporated in Hong Kong with limited liability. It is principally engaged in cleaning services.

Supplier H is a private company incorporated in Hong Kong with limited liability. It is principally engaged in cleaning services.

The Group generally maintains multiple suppliers for services and products to avoid over-reliance on a few suppliers and did not experience any material difficulties in sourcing materials or finding sub-contractors during the Track Record Period. The Directors confirmed that the Group did not have any significant disputes with any of its top five suppliers during the Track Record Period.

The Group maintains a list of approved suppliers and sub-contractors which are selected with reference to, among other things, material/service quality, reliability and price. The Group performs annual evaluation on the Group's suppliers and sub-contractors with respect to raw materials/service quality, reliability and timely delivery. During the Track Record Period, the Group did not experience any difficulties in procuring materials/services from its suppliers which resulted in a material adverse impact on the Group's operations. During the Track Record Period, the Group did not experience any shortage of suppliers of raw materials and services.

During the Track Record Period, all purchases were settled in Hong Kong dollars and most of them were settled by cheques. Credit terms offered by the Group's suppliers is normally 15 to 90 days.

### **Suppliers concentration**

The Group's top five suppliers accounted for approximately 89.5%, 83.0% and 84.0% of its total purchases from suppliers for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively, while approximately 45.2%, 54.9% and 59.7% of the Group's total purchase from suppliers were attributable to its largest supplier for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. For the risk relating to supplier concentration, please refer to the section headed "Risk factors" in this prospectus. Despite the aforesaid figures during the Track Record Period exhibit supplier concentration, the Directors consider that the Group is not reliant on any single supplier because:

- (i) the Group maintains a list of approved suppliers, comprising active and reserved suppliers, which have passed its annual assessment on the raw materials, consumables and services supplied. The Group procures from a number of suppliers for certain materials and services and in the event that a supplier ceases to supply to the Group, the Group could select approved suppliers/sub-contractors from the list as replacement to prevent disruption to the supplies and ensure the quality thereof; and
- (ii) the Directors consider that the supplies of the raw materials, consumables and services used in the Group's services are ample in the market with numerous suppliers, and that the Group could seek alternative suppliers as and when appropriate in the market without material limitation.

### **Suppliers and sub-contractors**

Although the Group had 2,539 own operational workers as at the Latest Practicable Date, additional manpower may be required on ad-hoc basis for some projects. Hence, the Group may occasionally engage third party service providers to satisfy the additional equipment or staff needs for such projects in a timely manner. Manpower supplier charges accounted for approximately 11.4%, 17.1% and 19.9% of total cost of services for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

During the Track Record Period, examples of services provided by sub-contractors engaged by the Group include transportation of waste collected from the refuse collection points of office or residential buildings to government designated waste disposal facilities. Besides, in some occasions the Directors may consider that it is not cost efficient to carry the services on its own and the Group may sub-contract part of the services to other third party environmental hygiene service providers and thus incur sub-contracting fees which accounted for approximately 2.2%, 2.4% and 2.5% of total cost of services for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

### **Top sub-contractors**

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the percentage of the Group's sub-contracting charges attributable to the Group's largest sub-contractor amounted to approximately 42.4%, 34.2% and 41.1% of the Group's total sub-contracting charges, respectively, while the percentage of the Group's sub-contracting charges attributable to the Group's five largest sub-contractors combined amounted to approximately 82.7%, 85.4% and 82.2% of the Group's total sub-contracting charges, respectively, for the same period.

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Set out below is a breakdown of the Group's total sub-contracting charges attributable to major sub-contractors of the Group:

*Five months ended 31 August 2016*

Rank	Sub-contractor	Sub-contracting charge incurred <i>HK\$'000</i>	As % of total sub-contracting charges %
1.	Sub-contractor A	1,652	41.1
2.	Sub-contractor B	1,056	26.3
3.	Sub-contractor C	295	7.3
4.	Sub-contractor E	172	4.3
5.	Sub-contractor H	128	3.2
	<b>Five largest sub-contractors combined</b>	3,303	82.2
	All other sub-contractors	713	17.8
	<b>Total sub-contracting charges</b>	4,016	100.0

*Year ended 31 March 2016*

Rank	Sub-contractor	Sub-contracting charge incurred <i>HK\$'000</i>	As % of total sub-contracting charges %
1	Sub-contractor A	3,094	34.2
2	Sub-contractor B	2,730	30.2
3	Sub-contractor C	1,282	14.2
4	Sub-contractor D	335	3.7
5	Sub-contractor E	284	3.1
	<b>Five largest sub-contractors combined</b>	7,725	85.4
	All other sub-contractors	1,319	14.6
	<b>Total sub-contracting charges incurred</b>	9,044	100.0

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*Year ended 31 March 2015*

Rank	Sub-contractor	Sub-contracting charge incurred <i>HK\$'000</i>	As % of total sub-contracting charges %
1	Sub-contractor A	2,878	42.4
2	Sub-contractor B	2,468	36.4
3	Sub-contractor D	194	2.9
4	Sub-contractor F	36	0.5
5	Sub-contractor G	32	0.5
<b>Five largest sub-contractors combined</b>		5,608	82.7
All other sub-contractors		1,176	17.3
Total sub-contracting charges incurred		6,784	100.0

None of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest sub-contractors of the Group during the Track Record Period.

The table below sets forth the background information of the Group's top sub-contractors mentioned in the above tables:

Sub-contractor	Type of services provided by the sub-contractor	Location	Years of business relationship	Payment terms
Sub-contractor A	Refuse removal services	Hong Kong	Over 9 years	90 days
Sub-contractor B	Refuse removal services	Hong Kong	Over 8 years	90 days
Sub-contractor C	Refuse removal services	Hong Kong	Over 1 year	90 days
Sub-contractor D	Provide hydraulic platform truck	Hong Kong	Over 6 years	90 days
Sub-contractor E	Refuse removal services	Hong Kong	Over 1 year	90 days
Sub-contractor F	Refuse removal services	Hong Kong	Over 7 years	30 days
Sub-contractor G	Refuse removal services	Hong Kong	Over 7 years	90 days
Sub-contractor H	Refuse removal services	Hong Kong	Less than 1 year	60 days

Sub-contractor A is a private company incorporated in Hong Kong with limited liability. Its principal business is the provision of cleaning services.

Sub-contractor B is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of cleaning, security and waste management services.

Sub-contractor C is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of cleaning services.

Sub-contractor D is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of aerial platform vehicle.

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Sub-contractor E is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of environmental services.

Sub-contractor F is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of cleaning services.

Sub-contractor G is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of environmental services.

Sub-contractor H is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of waste handling.

### **Criteria for selecting suppliers and sub-contractors**

As at the Latest Practicable Date, the Group maintained a separate list of approved suppliers (including material suppliers, manpower suppliers and sub-contractors) with details of their contact person and this list is updated from time to time. At least once a year, the Group will review the current list of approved suppliers and consider whether any should be removed/replaced based on the quality of their products or their job performance during the year.

To ensure service quality, the Group refers to these lists when selecting a supplier and sub-contractor for projects. The Group will take into account the following factors before selecting a new supplier and sub-contractor:

- a. job references including track record of quality of work and supply;
- b. awareness of environmental protection;
- c. awareness of workplace safety; and
- d. price of services or goods provided.

During the Track Record Period, the Directors confirmed that the Group did not experience any difficulty in procuring services from third party service providers and did not receive any material claims from the customers in relation to the standard and quality of services performed by third party service providers engaged by the Group.

### **General terms of engagement with suppliers and sub-contractors**

#### *Material suppliers*

Goods purchased by the Group from material suppliers mainly included various consumables such as garbage bags, tissues and detergents. The Group does not enter into long term agreements with its material suppliers and will only make purchase orders on a project basis. The purchase order contains the schedule of rates with unit price for each purchased items and quantity purchased. The credit term offered is generally 30 days to 90 days.

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### *Manpower suppliers*

The Group procures labour support from manpower suppliers mainly for the provision of general cleaning services. The Group does not enter into long term agreements with its manpower suppliers and will only make purchase orders on a project basis. The purchase order contains the location, working schedules, hourly rates and manpower in need. In general, it was specified in the purchase order that the manpower supplier was responsible for purchasing adequate insurance including but not limited to employee compensation insurance and public liability insurance. The credit term offered by the manpower suppliers is generally about 15 days.

### *Sub-contractors*

The Group does not enter into long term agreements with its sub-contractors and generally only enter into subcontracting agreement on a project basis, which generally contains terms such as scope of work, duration of work, contract sum, payment terms, and work permits and licence requirements. The subcontracting agreement will set out the services fees payable and the payment terms. The service fees chargeable are generally fixed. In some cases, the Group enters into purchase orders with sub-contractors which clearly states the total purchase amount, scope of work and payment terms. The credit term offered by the sub-contractors is generally 75 days to 90 days. Under the Group's employees' compensation insurance policy, the Group is indemnified against liability under the Employees' Compensation Ordinance to employees of the sub-contractors engaged by the Group. In certain subcontracting agreements and purchase orders, the sub-contractors were also responsible for taking out adequate insurance including but not limited to employee compensation insurance and public liability insurance.

However, it should be noted that:

- (a) under the Employment Ordinance, the Group, being the principal contractor, will be jointly and severally liable with every third party service provider in case of non-payment of wages by a service provider to its employee from such third party service provider within a specified period therein. However, the Group will be able to reclaim such payments in accordance with the Employment Ordinance.
- (b) under the Employees' Compensation Ordinance, the Group, being the principal contractor, will be liable as principal contractor to pay compensation for injuries sustained by an employee of a service provider.

During the Track Record Period the Group did not receive any claims in the circumstances under (a) and (b) above.

The Directors confirm that during the Track Record Period, there was no material circumstances that the Group breached the terms of agreement with its suppliers and sub-contractors.

### **Control on sub-contractors**

The Group maintained its own personnel at the work sites to supervise the works performed by its sub-contractors, and also to review the sub-contractors' works on an on-going basis to ensure that the sub-contractors' works conform to the designs. Such supervision and review procedures include, among others:

- issue work guidance to the staff of sub-contractors, and explain to and discuss with the sub-contractors on the details of the works before commencement of site works and during regular site meetings to enable the sub-contractors to understand and comply with the customer's requirements;
- perform regular on-site inspection by the project manager and site supervisor to ensure compliance by the sub-contractors with the customer's requirements; and
- debrief the sub-contractors on a daily basis and hold weekly meeting for the work team to review the work progress.

In addition, the Group provides its sub-contractors with its safety manual on workplace safety and organises relevant safety training. The in-house foreman for supervisors on-site explains the Group's safety measures to subcontractors before commencement of works and monitor their compliance with such measures on an on-going basis at work sites. For details of such measures, please refer to the paragraphs headed "Workplace safety" in this section.

### **Materials and inventory**

Inventory of the Group mainly represents consumables for use during the course of business. Since these consumables are relatively easy to source, the Group does not need to maintain a large amount of inventory. As at 31 March 2015 and 2016 and 31 August 2016, the inventory balance was approximately HK\$17,000, HK\$27,000 and HK\$22,000, respectively. Costs of consumables accounted for approximately 4.0%, 3.5% and 3.4% of total costs of services for each of the two years ended 31 March 2015 and 2016, respectively.

The Group closely monitors inventory levels especially with regard to materials, tools and equipment for cleaning to ensure sufficient resources are allocated to different projects and places orders with suppliers in advance to avoid any shortage leading to any delays to the projects. During the Track Record Period, the Group maintained multiple suppliers for products to avoid over-reliance on a single or a few suppliers for each material, tool and equipment and did not experience any material difficulties in sourcing these products.

### **TOOLS, EQUIPMENT AND VEHICLES**

The Group requires tools, equipment and vehicles in order to perform its environmental hygiene services to the customers. On the other hand, the Group is not required to provide tools and equipment to carry out airline catering support services.

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### Tools and equipment

In general, the Group is required to provide tools and equipment to carry out services on-site and is responsible for the proper maintenance of equipment to ensure safety and normal operation. Major tools and equipment include vacuum sweepers, marble polish machine, ride-on scrubber driers and miscellaneous types of tools and equipment. As at 31 March 2015 and 2016 and 31 August 2016, the total carrying value of tools and equipment were approximately HK\$1.6 million, HK\$2.0 million and HK\$1.8 million, respectively and have an average estimated useful life of approximately four years.

The table below set out the major types of tools and equipment for the Group's operations as at the Latest Practicable Date:

Types of tools and equipment	Functions and application	Quantity (units)	Estimated useful life (years)	Estimated range of remaining useful life (years)	Frequency of usage
Vacuum sweepers	<ul style="list-style-type: none"> <li>● Cleaning floors and carpets by suction</li> <li>● Applicable to public area and office cleaning</li> </ul>	444	1.5–5	0–4.8	Daily
Marble polish machines	<ul style="list-style-type: none"> <li>● Cleaning and polishing marble floors</li> <li>● Applicable to marble floor maintenance services</li> </ul>	68	1.5–5	0–4.8	Daily
Scrubbing burnishing machine	<ul style="list-style-type: none"> <li>● Scrubbing and drying floors</li> <li>● Applicable to public area and office cleaning</li> </ul>	253	1.5–5	0–4.9	Daily
Escalator cleaners	<ul style="list-style-type: none"> <li>● Brushing and simultaneous vacuum cleaning of escalator treads and moving sidewalks</li> <li>● Applicable to public area and office cleaning</li> </ul>	32	1.5–3	0–1.4	Weekly/ monthly
Suction machines	<ul style="list-style-type: none"> <li>● Cleaning floors by water suction</li> <li>● Applicable to public area and office cleaning</li> </ul>	199	1.5–5	0–2.2	Daily
Dumpsters	<ul style="list-style-type: none"> <li>● Large waste containers with an open top</li> <li>● Applicable to waste disposal</li> </ul>	3	3	0.5	Daily

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### Vehicles for daily operations

For the Group's daily operations and provision of services to the customers, the Group requires vehicles including light goods vehicles, vans, trucks and hook-lift trucks. As at 31 March 2015 and 2016 and 31 August 2016, the total carrying value of vehicles were approximately HK\$2.6 million, HK\$2.5 million and HK\$2.4 million, respectively. The table below sets out the major types of vehicles for operations and the number of such vehicles owned by the Group as at the Latest Practicable Date:

Types of Vehicles	Quantity	Estimated useful life (years)	Estimated range of remaining useful life (years)	Frequency of usage
 <p>Van</p>	13	15	7.2-14.5	Daily
 <p>Truck</p>	10	15	5.8-14.9	Daily
 <p>Hook-lift truck</p>	3	15	8.0-9.0	Daily

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Types of Vehicles	Quantity	Estimated useful life (years)	Estimated range of remaining useful life (years)	Frequency of usage
	1	15	8.8	Daily



Water wagon

### **Maintenance of tools and equipment and vehicles**

For each of the Track Record Period, the repairs and maintenance costs were approximately HK\$0.6 million, HK\$0.8 million and HK\$0.3 million, respectively. The Directors consider that it is vital to maintain tools and equipment and vehicles in good conditions in order to deliver quality services to customers. The Group also provides training to its staff on the operations of tools and equipment. Regular checks and repair work on the tools and equipment and vehicles are also conducted promptly when needed. Repairing of tools and equipment may be carried out by their suppliers or distributors in accordance with their warranty policy or by the Group's technical staff. For the vehicles, the repairing and routine maintenance works may be carried out by their distributor or outside motor vehicle service centre.

### **QUALITY CONTROL**

To maintain consistent quality services for customers, the Group has established a quality assurance system which is certified to be in compliance with the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

This system is maintained by its management representative and two deputy management representatives as at the Latest Practicable Date. The administration department is currently overseen by Ms. Sze Tan Nei, an executive Director, who has approximately 8 years of experience in the implementation of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 as well as relevant training. Ms. Sze Tan Nei has also completed the OHSAS 18001:2007 (Occupational Health & Safety Management Systems Auditor) & ISO 19011:2002 (Lead Auditor Training Course), and ISO 14001:2004 (Environmental Management System Auditor) & ISO 19001:2002 (Lead Auditor Training Course) held by the HKQAA and IMSA in 2011 and 2010. For further details of the abovementioned executive Director's experience and qualifications, please refer to the section headed "Directors and senior management" in this prospectus. Furthermore, the Group also appointed a safety officer who is a

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Registered Safety Officer with the Labour Department of Hong Kong, with a Diploma in Occupational Health and Safety from the Open University of Hong Kong and Li Ka Shing Institute of Professional and Continuing Education, OUHK in May 2001.

The Group's quality assurance system has received recognition including the "Certificate of achievement in integrated management system" (for other awards and recognitions, please refer to the paragraphs headed "Awards and recognitions" in this section). The Group's main quality assurance measures are set out below:

### **Regular surveillance audits by the SGS**

The Group is certified to be in compliance with the standards of ISO 9001:2008 (Quality management system), ISO 14001:2004 (Environmental management system) and OHSAS 18001:2007 (Occupational health and safety management systems) by SGS. SGS conducts a review of management systems of the Group generally every year. After receiving the report from SGS, or if there are any updates based on the assessment of the management representative, the Group will inform operation staff and particularly the on-site supervisors and foremen who are responsible for checking proper implementation of new safety protocols by staff on-site.

The Directors have confirmed that in its most recent visits in November 2015, the SGS surveyor had not identified any material deficiencies in relation to workplace safety or regarded any corrective measures as ineffective.

In the most recent visits by SGS which were conducted from 16 November 2015 to 17 November 2015, the scope of SGS's review included each of the two major operating subsidiaries of the Company, being Winson Cleaning and Winson Pest Control in respect of their compliance for each of the standards ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004. The findings of such visits were satisfactory regarding the Group's compliance with the relevant standings where no major but three minor non-conformities were identified. Major room for improvement raised by SGS during their recent visits included:

- a. in respect of ISO 9001:2008 (Quality management system), SGS suggested that related training materials and attendance record should also be kept for casual labour and related evaluation shall be reviewed; for future tenders, wordings being marked in the tender document regarding the material list, which is subject to change from time to time shall be modified and arrangement with customer of the written confirmation in any form shall be recorded; and
- b. in respect of ISO 14001:2004 (Environmental management system), SGS suggested that the Group should comprehensively review the content of environmental factors recognition and evaluation form as to make necessary modification in particular the operation controls of significant environmental aspects.

The Group has taken actions according to the above SGS's recommendations.

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SGS was established in 1878 and is now a worldwide leading inspection, verification, testing and certification company. It is recognised as the global benchmark for quality and integrity. It helps industrial and commercial bodies develop quality, environmental, safety, hygiene and social management systems.

Based on the above and given the recognition and the long history of operation of SGS, the Directors are of the view and the Sponsor concurs that the SGS is an appropriate body having the experience and expertise to assess the adequacy and effectiveness of the Group's safety standards systems.

### **WORKPLACE SAFETY**

According to the Occupational Safety Health Ordinance and the Factories and Industrial Undertakings Ordinance, employers are required to, among others, establish and improve their labour safety and health care system, carry out labour safety and health care education among their workers and prevent accidents during work and reduce occupational hazards. During the Track Record Period and up to the Latest Practicable Date, the Directors confirmed that no relevant authority has imposed any condition or specific safety requirements on the Group due to breaches of health and safety laws, rules or regulations in Hong Kong.

#### **Safety committee of the Group**

The Group has a safety committee to promote occupational health and workplace safety to its employees and to ensure periodic review on the workplace safety and occupational health measures as implemented by the Group. The members of safety committee comprise of a chairman who is a management of operation department, safety officers, senior operation manager in operation department, pest control manager, representatives from human resources department and administrative department. Meetings are held every three months and the main responsibilities of the safety committee include the following:

- (i) assist management to promote workplace safety and occupational health policies, procedures and planning;
- (ii) perform risk assessment and provide workplace safety suggestions and action plans to the Group;
- (iii) arrange and organise activities to promote workplace safety and occupational health to its employees;
- (iv) edit internal workplace safety guidelines;
- (v) arrange employees to attend safety briefing and training courses;
- (vi) review safety review reports and suggest improvement measures to the management; and
- (vii) communicate with occupational safety officer of the Labour Department of Hong Kong Government and representatives of relevant occupational health and workplace safety organisations.

**Workplace safety guidelines**

The Group has established internal guidelines in relation to workplace safety and required the employees of the Group and its subcontractors to follow. Set out below are the major areas covered by the internal guidelines on workplace safety:

*i. Work safety at height* It covers safety guidelines for the use of ladders, suspended working platforms, elevated working platforms and mobile scaffold, where relevant, when carrying out services at height.

Examples of work safety at heights include but not limited to:

- the structure of the ladder must be checked to ensure its stability before use. The ladder must be placed on a flat surface and placing the ladder on any unstable surface is prohibited;
- the installation of the suspended working platforms must be performed or under the supervision of a qualified person. Before working on the suspended working platform, the operators and workers on the suspended working platforms must attend recognised training courses and wear safety helmet and safety belt. The use of suspended working platforms should be suspended in case of bad weather; and
- mobile scaffold must be installed by qualified workers. Such qualified worker must check and certify the safety of the mobile scaffold before in use. Mobile scaffold must be installed on a flat surface.

*ii. Work safety in confined space* It covers guidelines for workers that are required to regularly clean water tank of buildings such as risk assessments and contingency plans.

Examples of work safety in confined space include but not limited to:

- risk assessment must be performed by qualified person and all safety measures as recommended must be implemented before the entering of the confined space; and
- only approved workers are allowed to enter and work in confined space. In addition, another worker must be stationed at the outside of the confined space for communication.

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*iii. Work safety of use of chemicals*

It covers guidelines for usage and storage of chemicals used during cleaning such as detergent and disinfectant, as well as wearing protective equipment.

Examples of work safety of use of chemicals include but not limited to:

- before using the detergent or pesticides, workers must be aware of the nature of the such detergent or pesticides and applicable safety measures;
- workers must put on or wear relevant personal protective equipment and check the instructions of detergent or pesticides including the type and dose to be applied. Extensive cleaning must be performed after use; and
- smoking is prohibited when using the flammable chemicals and always keep the working place ventilated.

*iv. Work safety in outdoor area*

It covers guidelines to workers that need to stay outdoor for a long time, such as prevention of heat stroke and cautiousness about personal safety.

Examples of work safety in outdoor area include but not limited to:

- measures to be taken to prevent heat stroke such as avoid working at outdoor for long hours and take rest in cool place when appropriate; and
- avoid to work alone and if applicable, notify co-worker for his/her routes and estimated time of completion.

*v. Work safety in carrying out airline catering support services*

It covers guidelines to workers that need to keep high hygiene standard and specifies the use of tools and equipment at the flight kitchens.

Examples for work safety in carrying out airline catering support services include but not limited to:

- measures to be taken to keep high hygiene standard such as wearing safety shoes in flight kitchens, facemasks should be put on when using high pressure water spray gun; and
- measures to be taken for safety use of car jacks at flight kitchens.

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vi. *Biological hazards prevention* It covers guidelines on mosquito and rat prevention to minimise possibility of disease spreading.

Examples for biological hazards prevention include but not limited to:

- measures to be taken to maintain environmental hygiene such as remove stagnant water and waste disposal to eliminate mosquito breeding and maintain personal hygiene.

vii. *Personal protective equipment* It suggests the use of different protective equipment, such as slip-proof safety shoes, safety goggles and masks, under different working environment.

Examples for personal protective prevention include but not limited to:

- workers must put on or use relevant protective wears such as wearing eyemask or facemask in case of a dusty environment; wearing safety helmet and safety shoes in worksites; wearing earplug to protect auditory sense.

Apart from the establishment of internal guidelines for workplace safety, the Group has also set up procedures to perform workplace safety inspection. The safety officers engaged by the Group are required to perform on-site safety inspection which cover different areas including the safety on the workplace, electricity, chemicals, operation of equipment, working at heights, suspended working platforms as well as personal protection equipment and the risks of bio-hazards. After inspection, the safety officers are required to fill in the occupational safety and health inspection report to report on the risks should they identify any environment or behavior which may pose risks to workplace safety. Depending on the level of risks, the safety officers will inform the supervisor and/or report to management and adopt measures to rectify. In case of high risks situation, the safety officer will suspend the works and report to management. The foreman or the supervisor of the work site must ensure appropriate measures are in place to eliminate such risks before resumption of works on the related worksite. The operation (safety) assistant will be responsible for recording and filing of the measures.

### **Internal systems on handling work-related accidents and injuries**

Given the nature of the services provided by the Group to the customers, the Group's staff is vulnerable to work-related accidents and injuries. The Group has a system in place to record and handle work-related accidents and injuries of its staff during the Track Record Period and up to at the Latest Practicable Date. The recording and handling of work-related accidents and injuries of the staff are handled by the human resources department. The Group's major procedures of reporting, recording and handling accidents and injuries of the employees are as follows:

1. the injured staff should inform the on-site supervisor of the details of injury including but not limited to venue, time, cause of injury etc.;

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2. the on-site supervisor will then file an incident report and report to the management for severe incidents;
3. the safety officer will then proceed with the investigation procedure and prepare an incident investigation report. The follow-up work will be handled by the foreman or assistant operation manager;
4. the foreman will suggest improvement measures in case of minor injuries (i.e. with less than 7 days of sick leaves taken by the injured staff). For severe injuries (i.e. with more than 7 days of sick leaves taken by the injured staff), the safety officer will be responsible for detailed analysis for the cause of injuries and the assistant operation manager will implement measures to improve or rectify the issues; and
5. the safety officer or foreman will report to the safety committee for the safety measures to be adopted to address and the safety officer will keep monitoring such improvement measures.

As at the Latest Practicable Date, the relevant coverage of public liability insurance policies and employees' compensation insurance policies are HK\$30 million in any one incident and HK\$200 million per event, respectively. Insurance policies for employees' compensation are renewed every year and their terms may be revised upon renewal. Pursuant to the insurance policies currently effective since 16 September 2016, the Group is generally responsible for employee compensation claims which amount to the first HK\$20,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$20,000 in respect of the compensations indemnifiable under the policy. In regards to public liability claims, the Group is generally responsible for claims which amount to the first HK\$30,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$30,000 in respect of the compensations indemnifiable under the policy. During the Track Record Period, the Group had settled 16 litigation claims (6 personal injuries actions and 10 employee's compensation cases) with an aggregate settlement amount of approximately HK\$3.7 million out of which HK\$510,600 was borne by the Group pursuant to the aforementioned arrangement. As at 31 March 2015 and 2016 and 31 August 2016, the Group incurred several ongoing litigation claims related to its employees or third parties injuries, where the Group is defendant and the plaintiffs alleged that they suffered from injuries, thus provision of insurance deductibles of HK\$360,000, HK\$740,000 and HK\$710,000 for the year ended 31 March 2015 and 2016 and five months ended 31 August 2016, respectively had been provided based on the insurance policy. At the Latest Practicable Date, there were 9 material and ongoing litigations (8 personal injuries actions and 1 employee's compensation cases) against the Group with an aggregate maximum exposure of HK\$740,000 (subject to the result of investigation by the insurer in relation to DCPI 2208/2016) of the Group. As confirmed by the Directors, the Group had made provision of the insurance deductibles of HK\$710,000 in this regard in its latest management account accordingly. No provision was made for the ongoing litigation related to employee compensation cases since the Group has already paid the claims first and pursuant to the insurance policy the insurer shall be liable to pay any amount in excess of the insurance deductible amount. For the costs and expenses which exceed the insurance deductibles, the Directors considered the excess amounts (if any) would be fully covered by the Group's insurance policies.

In providing quality services to the customers while providing a safe working environment for the employees, the Group requires relevant employees to have appropriate qualifications, certifications, licences or trainings. Please refer to paragraphs headed "Employees, staff training and development — Employees with relevant licences, permits and certificates" in this section for further details. In

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addition, the Group provides its staff training course on workplace safety internally. Also, the Group encourages its staff to attend further safety training courses held by external parties. Please refer to paragraph headed “Employees, staff training and development — Training and recruitment policies” in this section for further details.

### Analysis of accident rate

Set out below is a comparison of the accident rate per 1,000 employees between the Group and general cleaning services industry in Hong Kong during the Track Record Period:

	<b>Year ended 31 March</b>			<b>Five months ended 31 August</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	Accident rate of the Group ( <i>Note 1</i> )	27.6	40.1	34.3
— Environmental hygiene services	25.8	32.7	28.8	15.0
— Airline catering support services	85.4	137.7	86.6	12.3

	<b>Year ended 31 December</b>			<b>Five months ended 31 August</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	Accident rate in general cleaning services industry in Hong Kong ( <i>Note 2 and 3</i> )	27.3	28.2	26.6

*Notes:*

1. The accident rate of the Group is calculated as to the number of accidents reported by the Group under the Employees’ Compensation Ordinance during the year divided by the average number of the Group’s employees during the year, and then multiplies by 1,000.
2. The latest available data is as of 2015.
3. No available data for accident rate in airline catering support services industry in Hong Kong.

The accident rate of the Group increased from approximately 27.6 for the year ended 31 March 2014 to 40.1 for the year ended 2015, while it decreased to approximately 34.3 for the year ended 31 March 2016. For environmental hygiene services, the accident rates of the Group were close to that of the industry average rate in general cleaning services industry in Hong Kong. For the two years ended 31 March 2016 and the five months ended 31 August 2016, the Group recorded accident rate in the environmental hygiene services of approximately 32.7, 28.8 and 15.0, respectively, which was slightly higher than that of the accident rate in general cleaning services industry in Hong Kong of approximately 28.2 and 26.6 for the year ended 31 December 2014 and 2015, respectively.

The accident rates of airline catering support services were higher than that of environmental services for the corresponding years. The accident rate of airline catering support services was generally higher as compared to environmental hygiene services was mainly due to (i) the Group only commenced catering support services since 2013 which are of different job nature from that of environmental

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hygiene services; (ii) the Group was awarded a new contract with a new customer in 2015 and the Group was not familiar with the premises of a new customer of which contract for airline catering support services was firstly awarded in 2015; (iii) the frequency of handling tools and equipment was higher for airline catering support services due to the different job natures and the work schedule was more tight as compared to environmental hygiene services; and (iv) the working premises was solely in the airline catering center with cramped working environment which exposed the workers to higher risk of accidents.

The following table summarises number of accidents occurred by type of premises:

	<b>Year ended 31 March</b>			<b>Five months ended 31 August</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
Airline catering premises				
— environmental hygiene services	7	9	11	10
— airline catering support services	<u>7</u>	<u>25</u>	<u>21</u>	<u>3</u>
<b>Airline catering premises sub total</b>	14	34	32	13
MTR lines	20	23	18	7
Others	<u>40</u>	<u>47</u>	<u>37</u>	<u>17</u>
<b>Total</b>	<u><u>74</u></u>	<u><u>104</u></u>	<u><u>87</u></u>	<u><u>37</u></u>

The number of accidents and the accident rate of the Group decreased for the year ended 31 March 2016 and the five months ended 31 August 2016 benefited from its improved control procedures on safety measures. The Group has established work safety procedures specifically in carrying out airline catering support services, including wearing safety shoes in flight kitchens, facemasks should be put on when using high pressure water spray gun and measures to be taken for safety use of car jacks at flight kitchens. For details, please refer to the paragraphs headed “Workplace safety — Workplace safety guidelines” in this section.

The Directors confirmed that in the most recent visit of SGS in November 2015, the SGS surveyor had not identified any material deficiencies in relation to workplace safety or regarded any corrective measures as ineffective. The Group also thereafter renewed its certificates of compliance with the standards of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, which will expire in 2018 and subject to further renewal. During the Track Record Period and up to the Latest Practicable Date, the Directors confirmed that no relevant authority has imposed any condition or specific safety requirements on the Group for any material breach of health and safety laws, rules or regulations in Hong Kong. The Directors also confirmed that there has been no accident which had resulted in any death or severe bodily injury to the Group’s employees or its subcontractors’ employees during the Track Record Period and up to the Latest Practicable Date.

## **INSURANCE**

During the Track Record Period, the Group has taken out insurance policies as set out in the following paragraphs. During the Track Record Period, litigation claims in aggregate amounting to approximately HK\$3.7 million had been settled and approximately HK\$3.2 million has been covered under the Group's insurance policies. The Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to the Group's current operations and the prevailing industry practice.

### **Employees' compensation insurance**

During the Track Record Period, the employees' compensation insurance taken out by the Group is in accordance with the Employees' Compensation Ordinance and covers compensation and damage to employees in respect of bodily injury, death or disease suffered in the course of their employment in Hong Kong. Insurance policy for employees' compensation is renewed every year and may be revised upon renewal. Pursuant to the insurance policies currently effective since 16 September 2016, the Group is generally responsible for any claims of which the amount incurred is HK\$20,000 or less, as well as the first HK\$20,000 in respect of the cases of claim above HK\$20,000 while the insurer shall be liable to pay the excess amount after deduction of the said HK\$20,000 in respect of the compensations indemnifiable under the policy. As at the Latest Practicable Date, such employees' compensation insurance's limit of the indemnity was HK\$200 million per event. The Directors believe that the Group's current insurance coverage is sufficient for its business operations and is consistent with the industry norm in Hong Kong.

### **Public liability insurance**

As at the Latest Practicable Date, limit of the Group's public liability insurance is HK\$30 million in any one incident. In regards to public liability claims, the Group is generally responsible for claims which amount to the first HK\$30,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$30,000 in respect of the compensations indemnifiable under the policy.

### **Other insurance coverage**

In addition, the Group has also taken out insurance coverage against loss or damage to motor vehicles and office contents and bodily injury occurring on the Group's office premises.

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the aggregate insurance expenses of the Group were approximately HK\$5.1 million, HK\$5.5 million and HK\$2.3 million, respectively. For the risk in relation to the insufficiency of the coverage of the Group's insurance policy, please refer to the section headed "Risk factors — Risks relating to the Group's business" for details.

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### EMPLOYEES, STAFF TRAINING AND DEVELOPMENT

#### Number of employees by function

As at 31 March 2015, 31 March 2016, 31 August 2016 and the Latest Practicable Date, the Group had a total of 2,508, 2,565, 2,538 and 2,585 employees, respectively (including both full-time and part-time employees). Manpower supplied by third party manpower suppliers were not considered as the Group's employees. All of the employees of the Group are stationed in Hong Kong.

The following table sets out a breakdown of the total number of employees by full-time and part-time employees:

	As at 31 March		As at 31 August		As at the Latest			
	2015	2016	2016	2016	Practicable Date			
		%		%		%		
Full-time	2,103	83.9	2,345	91.4	2,356	92.8	2,413	93.3
Part-time	405	16.1	220	8.6	182	7.2	172	6.7
<b>Total</b>	<b>2,508</b>	<b>100.0</b>	<b>2,565</b>	<b>100.0</b>	<b>2,538</b>	<b>100.0</b>	<b>2,585</b>	<b>100.0</b>

Set out below is the number of employees by department as at 31 March 2015 and 2016, 31 August 2016 and the Latest Practicable Date:

	As at 31 March		As at	As at
	2015	2016	31 August	the Latest
			2016	Practicable Date
Group management	3	3	3	3
Operation management ( <i>Note 1</i> )	20	18	23	23
Accounting	5	4	4	5
Human resources	4	5	4	5
Administration and purchasing	6	6	7	7
Marketing	2	2	2	2
IT	1	1	1	1
<b>Operation (<i>Note 2</i>)</b>				
— Environmental hygiene services	2,239	2,269	2,263	2,255
— Airline catering support services	228	257	231	284
<b>Total</b>	<b>2,508</b>	<b>2,565</b>	<b>2,538</b>	<b>2,585</b>

Notes:

1. Including project manager grade and above.
2. Including frontline workers, foreman, and site supervisor.

**Relationship with staff**

The Directors consider that the Group has maintained a good relationship with its employees. The Directors confirm that the Group has complied with the applicable labour laws and regulations in Hong Kong in all material respects.

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

**Training and recruitment policies**

In order to provide quality services to customers, the Group provides on-going training regularly to relevant staff across different departments with topics covering including but not limited to IT, environmental protection, ISO training, safety training as well as trainings for supervisory roles, etc. Such trainings are either provided internally or by external parties. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group's business development. The Group provides employees' handbook to new employees to explain the Group's internal rules.

The Group encourages its staff to attend further safety training courses from time to time even if they might not be legally required for operations. For example, as at the Latest Practicable Date, a number of employees had attended courses and obtained the Certificate for completion of height safety training course and occupational safety and health training workshop and 8 of the Group's staff have obtained certificate of Occupational Safety and Health Ambassador issued by Occupational Safety & Health Council.

To keep up to date with best environmental and health and safety practices in the industry, the Group was a member of various industry bodies including Hong Kong Cleaning Association (HKCA), Hong Kong Pest Management Association (HKPMA), Environmental Contractors Management Association (ECMA), The Federation of Environmental and Hygiene Services (FEHS) as at the Latest Practicable Date.

**Employees with relevant licences, permits and certificates**

Under current applicable laws, rules and regulations, the Group is required, among others, to (i) provide and maintain a safe and healthy working environment; and (ii) ensure that only persons with appropriate certifications perform those works or use such equipment or machinery as specified under such laws, rules or regulations. For further details concerning applicable laws, rules and regulations, please refer to the section headed "Regulatory overview — Regulations relating to labour, health and safety" in this prospectus. Based on the requirements of service contracts, the Group may require employees with relevant licences, permits and certificates to handle the job and therefore the Group pays close attention to the certifications of employees and their validity.

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The below table sets out certain material licences and permits held by employees for carrying out certain types of works as at the Latest Practicable Date:

Type of licences and permits	Issuing authority(ies)	Valid period (Note 1)	Number of employees holding such certifications (Note 2)
Metal Scaffold Safety Training Certificate	Hong Kong Human Resources Ltd	20 to 30 years	10
Construction Industry Safety Training Certificate	Hong Kong Human Resources Ltd/Hong Kong Safety Training Association (Origin Production Limited)	3 years	133
Construction Workers Registration Card	Construction Industry Council	range from less than 1.5 years to above 3 years	15
Certificate for Operation of Suspended Working Platform	Construction Industry Council	4 to 5 years	20
Certificate of a Person Working on Suspended Working Platform	The COGO (ECMA) Working Committee	5 years	0
Certificate of Competent Person and Certificate Worker	Hong Kong Safety Training Association (Origin Production Limited)	3 years	3
Certificate of Certified Worker	Hong Kong Safety Training Association (Origin Production Limited)	3 years	3

*Notes:*

1. Licences and permits held by the employees need to be renewed before expiry dates;
2. The number of employees may overlap where he/she possesses more than one licence or permit.

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The below table sets out certain material certifications held by employees as at the Latest Practicable Date:

<b>Type of certifications</b>	<b>Issuing authorit(ies)</b>	<b>Number of employees holding such certifications</b> <i>(Note)</i>
Completion of height safety training course	Techflex International Ltd.	15
Occupational safety and health ambassador certificate	Occupational Safety & Health Council	8
Human error security management workshop	Occupational Safety & Health Council	2
Pest control management certificate	Hong Kong College of Technology	1
Occupational safety management	Occupational Safety & Health Council	1

*Note:* The number of employees may overlap where he/she possesses more than one certificate.

The Directors are of the view that there is no material difficulty in obtaining the aforesaid licences, permits and certificates or engaging services providers with the relevant licences, permits and certificates. Furthermore, the Directors confirm that all relevant employees carrying out such work has possessed the requisite certificates or licences, and no employee had encountered any material problems with the renewal of the relevant certificates or licences during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, the Directors believe that employees holding licences, permits and certificates required for their work were able to renew before their expiry. As the Directors have not and do not expect to encounter any material difficulty in identifying replacement workers in this industry, in the event that any employee has been rejected or denied renewal of the relevant licences, permits and certificates, the Group does not expect any material operational or financial impact to the Group.

### **Remuneration policy**

The Group enters into separate employment contracts with each of the Group's employees in accordance with the applicable employment laws in Hong Kong.

The Group offers attractive remuneration package to its employees. The remuneration package includes basic salary, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

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### CERTIFICATIONS AND LICENCES

The Directors confirmed that the Group and its staff have obtained all necessary licences, permits and certificates required during the Track Record Period for carrying on its business activities and up to the Latest Practicable Date. Please refer to the paragraphs headed “Employees, staff training and development — Employees with relevant licences, permits and certificates” and “Environmental compliance” in this section for details of the certifications held by the Group’s employees and the details of the Group’s compliance with the relevant licence requirement of its operations.

The Group’s operation is governed by various internal control policies and an integrated management system following international standards. The Group’s integrated management system has received the following certifications:

<b>Certifications/ accreditations</b>	<b>Year first obtained</b>	<b>Current version</b>	<b>Accreditation body</b>	<b>Earliest expiry date for current certificate</b>
ISO 9001	2000 ( <i>Note 1</i> )	ISO 9001:2008	SGS	15 September 2018
ISO 14001	2001 ( <i>Note 2</i> )	ISO 14001:2004	SGS	15 September 2018
OSHAS 18001	2008 ( <i>Note 3</i> )	OSHAS 18001:2007	SGS	7 December 2018

*Notes:*

1. The Group first obtained ISO 9001 accreditation from TÜV Rheinland in 2000.
2. The Group first obtained ISO 14001 accreditation from TÜV Rheinland in 2001.
3. The Group first obtained OSHAS 18001 accreditation from Hong Kong Quality Assurance Agency in 2008.

### AWARDS AND RECOGNITIONS

The following table sets forth a summary of awards and recognitions the Group received since 2014:

<b>Award/recognition</b>	<b>Awarding body(ies)</b>	<b>Year awarded/ recognised</b>	<b>Type of award/ recognition</b>
2016 Hong Kong’s Most Valuable Companies	Mediazone Limited	2016	Service excellence
Caring Employer for the year of 2015	Kwun Tong Home Affairs Department; Hong Kong Federation of Handicapped Youth	2016	Social commitment
2016/17 Caring Company (5 Years +)	The Hong Kong Council of Social Service	2016	Social commitment

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Award/recognition	Awarding body(ies)	Year awarded/ recognised	Type of award/ recognition
Hong Kong Green Organisation Certificate — Carbon Reduction Certificate	Environmental Campaign Committee	2016	Environmental Concern
18 Districts Caring Employers 2016 Award — Special Award for being awarded for 5 consecutive years or above	Labour and Welfare Bureau; Rehabilitation Advisory Committee; The Hong Kong Joint Council for People with Disabilities; The Hong Kong Council of Social Service	2016	Social Commitment
Honorary Certificate 2015 for 3 years of excellence performance during the sustainability projects and management process	Hong Kong Environmental Protection Association	2015	Environmental concern
Certificate of Appreciation of employing people with disabilities	Selective Placement Division Labour Department	2014	Social commitment
The Credible Enterprise of Chinas' Accreditation (2011–2013)	China Enterprise Reputation and Credibility Association (Overseas) Limited	2014	Service excellence

### COMPETITION

The main drivers for the environmental hygiene service industry are the increasing public awareness of hygiene and demand for hygiene services. Since the outbreaks of severe acute respiratory syndrome in 2003 and swine flu (H1N1) in 2009 as well as the influenza H7N9 in 2011, there has been an increasing public awareness and standard of environmental hygiene which have accelerated the demand for well-equipped and well-trained service providers. The increasing number of residential, commercial and office buildings for environmental services and better hygiene awareness will also drive future growth in the environmental services industry.

According to the Frost & Sullivan Report, the total revenue of environmental services industry in Hong Kong grew steadily at a CAGR of approximately 9.1% from approximately HK\$7,740.9 million in 2011 to approximately HK\$10,986.2 million in 2015, and market size of environmental hygiene services is expected to further expand to approximately HK\$15,606.3 million in 2020, representing a CAGR of approximately 7.1% from 2016 to 2020. The Group ranked 6th among environmental service providers in Hong Kong in terms of revenue and had approximately 3.8% market share in terms of total industry revenue for the year of 2015. Meanwhile, the market of airline catering support service in Hong Kong

## **BUSINESS**

grew at a CAGR of approximately 7.6% from approximately HK\$73.7 million in 2011 to approximately HK\$99.0 million in 2015, and the Group had approximately 34.8% market share in 2015. The market size of airline catering support service expects a further growth to approximately HK\$144.8 million in 2020, representing a CAGR of approximately 7.8% from 2016 to 2020.

The entry barriers of the environmental hygiene service industry is generally low and the market is highly fragmented with different environmental hygiene service providers specialising in different services, and most of them are providing limited scope of services to customers in Hong Kong. In 2015, it was estimated that there were approximately 1,140 environmental hygiene service providers and about 81,880 professionals and workers in the environmental hygiene service industry in Hong Kong. According to the Frost & Sullivan Report, about 82.4% of the total number of environmental hygiene service providers in Hong Kong are small-scale service providers with less than 50 workers in 2014. The Directors do not consider these small scale service providers will impose material competition to the Group as they may not have the financial strength, experience, market reputation, and range of services offered or possess the necessary equipment and technical knowledge that is comparable to that of the Group. The top 10 environmental service providers dominated the industry with over 59.2% of the market share in 2015.

### **HEDGING**

During the Track Record Period, the Group was not engaged in any hedging activities.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period, the Group had not engaged in any research and development activities nor incurred any research and development expenses.

### **PROPERTIES**

#### **Owned properties**

The Group has its own office premise and use it as head office in Hong Kong. It is located in unit Nos. 1, 2, 3, 5, 6, 7 and 8, 10th floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. Total gross floor area of office premise is approximately 8,064 sq.ft.. In addition, the Group also owns 4 car parking spaces located at parking space numbers P41, P59, P60 and P62 on 2nd Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories. Such property is accounted for in the financial statements at cost less accumulated depreciation and any impairment losses. As at 31 August 2016, the carrying amount of the Group's office premise and the 4 car parking spaces was approximately HK\$30.8 million. The Group have engaged Peak Vision Appraisals Limited to conduct a valuation on office premise and the 4 car parking spaces, which is valued at approximately HK\$53.3 million as at 30 November 2016.

#### **Leased properties**

As at the Latest Practicable Date, the Group did not lease any property in Hong Kong nor incurred any operating lease expenses nor has any operating lease commitments.

## **INTELLECTUAL PROPERTY RIGHTS**

### **Trademark**

As at the Latest Practicable Date, the Group had registered “” trademark in Hong Kong and the PRC. Details of such trademark are set out in the paragraphs headed “B. Further information about the business of the Group — 2. Intellectual property” in Appendix V to this prospectus.

### **Domain name**

As at the Latest Practicable Date, the Group had registered one domain name, being **www.winsongrouphk.com** in Hong Kong. Details of such domain name are set out in the paragraphs headed “B. Further information about the business of the Group — 2. Intellectual property” in Appendix V to this prospectus.

## **ENVIRONMENTAL COMPLIANCE**

### **Compliance with the WDO**

#### *Services of the Group in relation to handling of waste*

The Group’s waste management services include, but not limited to, the emptying of garbage bins of the premises of tenants, where relevant, collection of garbage from refuse room of each floor and transfer the garbage collected to the refuse collection point of the relevant office or residential building (the “Door-to-door Services”).

### **Relevant sections of the WDO**

Pursuant to the WDO, the Collection Authority means either of the Director of FEHD or the Director of EPD or both. The FEHD is generally responsible for the services as stated in section 9 of the WDO, including but not limited to the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste (the “Services”) and pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the WDO, EPD is generally responsible for construction waste, chemical waste and clinical waste.

Section 11 of the WDO, which does not apply to construction waste, prohibits the provision of any of the services by any person if such Services is also provided by the Collection Authority or a licensed party unless such person is licensed by the director of the FEHD or the EPD in accordance with section 10(1) of the WDO.

### **Confirmation from the FEHD and the EPD**

The FEHD confirmed by a letter regarding relevant provisions of the WDO dated 17 June 2016, that:

- i. the FEHD does not have a licensing mechanism under the WDO;
- ii. the FEHD does not provide services for removal and disposal of trade waste/commercial waste; and

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iii. the FEHD does not provide Door-to-door Services for household waste.

The EPD confirmed by a letter dated 25 April 2016 that:

- i. the EPD has not been involved in the provision of collection services for household waste or trade waste/commercial waste in Hong Kong; and
- ii. the EPD does not require any parties involved in the provision of collection services for household waste or trade waste/commercial waste in Hong Kong to apply for a licence under the WDO.

### **Implication of the WDO in the Group's operation**

Based on the confirmation from the FEHD and EPD as stated above, the prohibition under section 11 of the WDO does not apply to the Door-to-door Services of the Group given that (i) FEHD and the EPD do not provide services for removal and disposal of trade waste; (ii) EPD does not provide services for removal and disposal of household waste; and (iii) FEHD does not provide Door-to-door Services in relation to household waste. There is no overlapping of the Group's Door-to-door Services with the Services and thus, the Group is not required to apply for any licence under the WDO.

### **The Group's compliance with the WDO**

The Company has confirmed that during the Track Record Period and up to the Latest Practicable Date, the Group's Door-to-door Services involving the household waste did not overlap with the Services of the FEHD. Mr. Chan Chung, the legal counsel of the Company, is of the opinion that both the EPD and the FEHD confirmed that they did not provide door-to-door waste collection services, so there cannot be any contravention of section 11 of the WDO since there is no overlapping of services between the Group and the Collecting Authority. Thus, the Group's waste removal and disposal services do not require any particular licence from the authority pursuant to the WDO during the Track Record Period and up to the Latest Practicable Date.

The Company considers that the officers of the EPD and the FEHD who provided the interpretation of the WDO are the appropriate source for seeking clarification on the WDO, have the relevant authority and are authorised to give such advices regarding the WDO. The Company is of the view that the interpretation by the EPD and the FEHD is unlikely to be challenged by a higher authority as both the EPD and FEHD are the Collection Authority defined under the WDO and the EPD is responsible for the enforcement of the WDO.

The Group will also keep track of any update of the laws and regulations relating to waste collection. Once the relevant licence is available for application, the Group will promptly apply for such licence.

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### **Compliance with the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)**

The Group's business operations from time to time involve the storage and usage of classified dangerous goods listed on the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) including corrosive substances and poisonous substances.

The Directors confirmed that the Group's storage and usage of such dangerous goods did not exceed the maximum quantity specified under the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) for which licence is required and therefore, the Group is not required to apply for any licence under the Dangerous Goods Ordinance.

### **Compliance with the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong)**

The Group's business operations from time to time also involve the use and storage of pesticides as specified under the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong). The Directors have confirmed that all pesticides used and stored by the Group are registered pesticides and accordingly, pursuant to the Pesticides Ordinance, no licence is required for their usage or storage to the extent that the Group does not engage in the trade or business, whether for wholesale, retail or otherwise, of selling, offering or exposing for sale, supplying or offering to supply the registered pesticides and sells, offers or exposes for sale, supplies or offers to supply any registered pesticides which the Group acquired for the Group's own use.

As at the Latest Practicable Date, the Group had not encountered any non-compliance issue in respect of any applicable laws and regulations on environmental protection or any complaints from the customers or the public in respect of environmental protection issues.

### **Compliance with the Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Group had approximately 34.8% market share in airline catering support service market in 2015. The Directors confirmed that the Group had not or does not enter into any arrangements with competitors for agreement to fix prices, to share markets, to restrict output or to rig bids. Mr. Chan Chung, the legal counsel of the Company, is of the view that there is no basis to suggest that the Group has been in or is in contravention of the Competition Ordinance.

For the measures taken by the Group to ensure its compliance of the Competition Ordinance, the management of the Group is responsible to ensure that the Group will not enter into any arrangement with the competitors in the market: (a) for prices fixing; (b) for restricting output; (c) for market sharing; and/or (d) for bids rigging. Necessary training on compliance with the Competition Ordinance will be provided to members of staff and the management of the Group upon the Listing. In addition, the Group will also seek legal advice where appropriate on the requirements of the Competition Ordinance.

### **NON-COMPLIANCE**

The Directors confirm that save as disclosed below under this section, the Group has complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

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Set out below are details of the Group's past material non-compliances during the Track Record Period:

### Non-compliance with Hong Kong Government leases and occupation permit

Name of Company	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
Wealthy Strong	<p>Unit Nos. 1,2,3,5,6,7 and 8 on the 10th Floor of One Midtown, No. 11 Hoi Shing Road Tsuen Wan, New Territories, Hong Kong (the "Property") has been used by the Group as head office (the "Actual Use") since December 2012.</p> <p>The permitted use as specified in each of the relevant (i) conditions of sale and government grant; (ii) occupation permit; (iii) deeds of mutual covenant is (a) for industrial purpose; (b) as workshops for non-domestic use; (c) for use as prescribed by the government lease and the occupation permit respectively.</p>	<p>The purchase of the Property was handled by an accounting staff of the Group. The breach was not wilful which occurred due to the lack of professional advice at the material time.</p>	<p>Applications have been made by a surveyor engaged by Wealthy Strong to the relevant governmental departments for a lifetime waiver to release user restriction of the Property from industrial to office for headquarters or back-office operations (Group A uses under the Lands Department Practice Note No. 2/2003) (the "Waiver").</p> <p>The Planning Department issued a letter of no objection to approval of the building plans by the Buildings Department on 29 November 2016.</p> <p>The Fire Services Department in its letter dated 18 November 2016 approved the relevant applications subject to Wealthy Strong's fulfillment of all requirements previously imposed by the Fire Services Department on the existing building. As confirmed by the surveyor engaged by Wealthy Strong, such previous requirements refer mainly to fire services installation required for the existing building and/or any requirement made by the Fire Services Department during or after the construction of the existing building, and such requirements have been complied with currently.</p> <p>The Buildings Department in its letter dated 15 December 2016 replied to the initial application with concerns on the Property's existing use and compliance with fire safety requirements. Wealthy Strong and the surveyor have liaised with the Buildings Department and a further submission of relevant materials dated 9 January 2017 was made to the Buildings Department to address the concerns raised. The Company was informed by the surveyor that he has communicated with the Buildings Department and that the Buildings Department will continue its vetting process on the Waiver application. The Buildings Department had performed site inspection on 22 February 2017 and no any commentary received.</p>	<p>The consequence of non-compliance with the permitted use of the Property as stated in the relevant conditions of sale and government grant is that the Hong Kong Government authority is entitled to re-enter the Property.</p> <p>Under section 40(2) and section 40(6) of the Buildings Ordinance, Wealthy Strong is liable to a maximum fine of HK\$100,000 and its directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum for a breach of Section 25(1) of the Buildings Ordinance.</p> <p>Mr. Tsui Raymond Wai-Nam, the legal counsel of the Company in relation to the land law ("Mr. Tsui"), opines that it is unlikely that the Hong Kong Government would re-enter the Property and that there is no real risk of prosecution against Wealthy Strong and/or its directors in view of the government policy of revitalizing industrial building and the Waiver being applied by Wealthy Strong.</p>	<p>The Group will consult the lawyers or other professional advisers on the permitted use of properties before acquisition. The senior management will meet regularly and report to the Board the uses and conditions of the Group's owned properties in order to ensure full compliance with the conditions as set out in the Hong Kong Government lease or grant.</p>

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Name of Company	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
	<p>Accordingly, the Actual Use does not comply with the permitted use as set out above and is in breach of section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use.</p>			<p>As a result of the non-compliance with the permitted use of the Property as stated in the deeds of mutual covenant, the manager of the Property may enforce the provisions of the deeds of mutual covenant and register a charge against the Property. Mr. Tsui is of the view that the manager would not choose to act in defiance of the government policy of revitalising industrial building by taking enforcement action.</p> <p>Coupled with the fact that there was a waiver granted in respect of Unit No.1 on the Ground Floor of One Midtown in February 2016 which is a sign of showing no change in the relevant policy, it should be optimistic that approval of the Waiver application would be given.</p> <p>Mr. Tsui further opines that once the Waiver is granted, the non-compliance of the conditions of sale, government grant, occupation permit and deeds of mutual covenant will be duly rectified as the very purpose of the Waiver is to waive the said non-compliance.</p>	

**Indemnity given by the Controlling Shareholders**

The Controlling Shareholders have entered into the Deed of Indemnity whereby each of them has agreed to indemnify the Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and losses which may arise as a result of any non-compliance of the Group with the applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraphs headed “E. Other Information — 1. Tax and other indemnities” in Appendix V to this prospectus.

**LITIGATIONS AND CLAIMS**

During the Track Record Period and as at the Latest Practicable Date, the Group had been or is involved in a number of claims, litigations and potential claims against the Group. Set out below are the details of:

- (i) the material ongoing litigation against the Group as at the Latest Practicable Date;
- (ii) potential litigations in relation to employees’ compensation claims and common law personal injury claims against the Group as at the Latest Practicable Date; and
- (iii) the litigations against the Group settled during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group. Pursuant to the insurance policies currently effective since 16 September 2016, the Group is generally responsible for employee compensation claims of which amount to the first HK\$20,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$20,000 in respect of the compensations indemnifiable under the policy. In regards to public liability claims, the Group is generally responsible for claims which amount to the first HK\$30,000 or less and the insurer shall be liable to pay any excess amount after deduction of the said HK\$30,000 in respect of the compensations indemnifiable under the policy.

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### (i) Material ongoing litigation against the Group as at the Latest Practicable Date

Type of claim	Reasons of the accidents and particulars of claims	Amount claimed	Status	Covered by insurance	Maximum Exposure of the Group (Note 1)
<i>Employees' compensation claims and personal injuries claims by employees</i>					
1. HCPI 1051/2016 — Personal Injuries Action, claim by employee	The plaintiff was in the course of employment slipped and fell on a wet and slippery ground. As a result, she sustained serious injuries on her left wrist and/or hand and developed psychological/psychiatric problems.	Statement of claim and Statement of damages not filed in court	Ongoing — A letter on 15 September 2016 from the insurer disputing fault on the part of the Company.	Yes	HK\$30,000
2. DCPI 2208/2016 — Personal Injuries Action, claim by employee	The plaintiff was in the course of employment slipped and fell on a slippery floor. As a result, she sustained personal injuries to her back, right hip and right leg.	Statement of claim and Statement of damages not filed in court	Ongoing — A letter on 11 November 2016 from the insurer's solicitors to the plaintiff's solicitors asking for information and/or documents.	To be determined by the insurer subject to result of investigation	HK\$30,000 subject to the result of investigation by the insurer
3. DCEC 2161/2016 — Employee's Compensation Case, claim by employee	The applicant was in the course of employment (setting flight meals onto the production line), and was hit by a trolley controlled by another colleague. As a result, she suffered a sprain over her left calf injury.	To be accessed by the court	Ongoing — Application to the District Court dated 30 September 2016	Yes	HK\$30,000.00
<i>Personal injuries claims by independent third parties</i>					
4. HCPI 850/2015 — Personal Injuries Action, claim by independent third party	The plaintiff was walking to the lift on the ground floor, as she approached the lift, she stepped on a patch of liquid on the floor of the lift lobby. She fell and suffered injuries to her head, neck, back, left elbow, both knees, and left hip.	HK\$3,222,132.50 plus RMB1,597.00	Ongoing — Witness statement dated 3 November 2016.	Yes	HK\$30,000.00
5. DCPI 97/2016 — Personal Injuries Action, claim by independent third party	The plaintiff was walking on a wet and slippery floor at the market, and suddenly slipped and fell on the floor. As a result, she sustained injuries to her right shoulder and chest.	HK\$995,000.00	Ongoing — Witness statement dated 28 October 2016.	Yes	HK\$30,000.00

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Type of claim	Reasons of the accidents and particulars of claims	Amount claimed	Status	Covered by insurance	Maximum Exposure of the Group (Note 1)
6. DCPI 2439/2014 — Personal Injuries Action, claim by independent third party	The plaintiff stepped out on the wet and slippery floor of the lift lobby and slipped and fell on the ground and sustained injuries to her left elbow, left forearm and left wrist	HK\$680,968.88.	Ongoing — A letter on 24 February 2016 from the insurer noted that they are prepared to make an offer to the plaintiff.	Yes	HK\$30,000.00
7. HCPI 665/2015 — Personal Injuries Action, claim by independent third party	While the plaintiff was walking along the corridor and about to make a left turn to the male toilet, he slipped and fell on the wet and slippery puddle of water on the floor flowing from the disabled toilet. As a result, he suffered wrists, back and neck injuries with persistent vertigo and dizziness.	HK\$1,756,159.87	Ongoing — Letter from the insurer received 28 December 2015 providing indemnity to the company for the claim.	Winson Cleaning's liability in this case is HK\$500,000.00 or 50% of the plaintiff's claim, interest and cost in both the personal injury case and the employee's compensation case whichever lower, any additional amount will be paid directly by the insurance company. (Note 2)	HK\$500,000.00 or 50% of the plaintiff's claim, interest and cost in both the personal injury case and the employee's compensation case whichever lower.
8. DCPI 2798/2015 — Personal Injuries Action, claim by independent third party	The plaintiff sustained injuries to both of his hands and his head at the market after he slipped and fell due to wet and slippery ground.	Statement of claim and Statement of damages not filed in court	Ongoing — A letter on 5 January 2016 from the insurer noted that they are prepared to make an offer to the plaintiff.	Yes	HK\$30,000.00
9. HCPI 1074/2016 — Personal Injuries Action, claim by independent third party	The plaintiff sustained injuries at the staircase at the market after she slipped and fell due to the wet and slippery floor.	Statement of claim and Statement of damages not filed in court	On going — A letter on 17 November 2016 from the insurer noted that they are prepared to make an offer to the plaintiff.	Yes	HK\$30,000.00

*Notes:*

- (1) Maximum exposure refers to the amount the Group paid/will pay as specified under the relevant insurance policy. This note is not applicable to case number 8 (HCPI 665/2015) and please refer to note (2) below for more information.
- (2) This arrangement was made between the Group and the insurers to settle the different view between the Group and the insurers as to whether the Group has knowledge of the incident and covered by the insurance policy, after several rounds of negotiation.

**(ii) Potential litigations in relation to employees' compensation claims and common law personal injury claims against the Group as at the Latest Practicable Date**

For some of the potential claims, even if the relevant employees' compensation had been settled under the Group's employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against the Group under common law. Mr. Chan Chung, the legal counsel of the Company, opines that there will be no double recovery of compensation if they claimed against the Group under common law since under section 26 of the Employees' Compensation Ordinance, the court dealing with the common law claim, will deduct the award of damages under the common law claim the compensation the employee had received in accordance with the Employees' Compensation Ordinance.

As confirmed by the Directors, as at the Latest Practicable Date, there were 265 employees' compensation cases which have been or will be settled by the Group's employees' compensation insurance but as the limitation period for personal injury claims (which is generally three years from the date of the relevant incidents) have not lapsed, it is still possible for the subject persons to commence common law personal injury legal actions against the Group. As to the likely quantum of damages of these 265 cases which those employees may have potential personal injury claims against the Group, Mr. Chan is of the opinion that it is not possible to make such assessments due to lack of information and document as the common law personal injury claims have not yet been instituted even if those employees have such causes of action against the Group. In any event, Mr. Chan opines that all these 265 cases which those employees may have potential personal injury claims are covered by the insurance policy of the Group. All these 265 employees' compensation cases are related to the industrial accidents and injuries sustained by the employees of the Group. The Directors confirmed that the potential maximum exposure of the Group in relation to these 265 employees' compensation cases is approximately HK\$7.5 million. As the insurers have assessed that among these 265 employees' compensation cases, only 49 employees' compensation cases are active and the remaining 216 cases are classified as closed, the Directors are of the view that the likely potential maximum exposure of the Group in relation to the employees' compensation cases as at the Latest Practicable Date is approximately HK\$1 million. In addition, as at the Latest Practicable Date, there are 39 reported cases of employee injuries arising during usual and ordinary course of business of the Group but no litigation has commenced in respect of such cases after the reporting. As such claims have not commenced, the Group is not in a position to assess the likely quantum of such potential claims. In any event, the Group has insurance cover for the liabilities of the Group of all these potential claims as at the Latest Practicable Date and notices of all the accidents had been given to the insurers to the extent required by law.

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### (iii) Litigations against the Group settled during the Track Record Period and up to the Latest Practicable Date

<u>Category of claims</u>	<u>No. of claims</u>	<u>Reasons of the accidents and particulars of claims</u>	<u>Total amount settled</u>	<u>Covered by insurance</u>	<u>Amount borne by the Group (Note)</u>	
			<i>(approximate HK\$)</i>		<i>HK\$</i>	
<i>Employees' compensation claims and personal injuries claims by employees</i>						
1.	Employee's Compensation Case, claim by employee	DCEC 2185/2014	The applicant during the course of employment fell and as a result sustained serious injuries.	HK\$947,770.67	Yes	30,000.00
2.	Employee's Compensation Case, claim by employee	DCEC 860/2015	During the course at employment, the applicant was hit by a vehicle when she was cleaning a lamppost.	HK\$654,960.00	Yes	30,000.00
3.	Personal Injuries Action, claim by employee	DCPI 1055/2012	The plaintiff was in the course of employment and was instructed to carry a dead body of a dog to a refuse collection point. Due to the weight of the dead body, she fell and sustained injury to her lower back.	HK\$280,000	Yes	N/A, fully covered by insurance (Note 2)
4.	Employee's Compensation Case, claim by employee	DCEC 666/2016	The applicant during her course of employment slipped on the wet and oily floor and fell down a flight of stairs on her way to the toilet. As a result, she sustained injuries to her back.	HK\$242,997.26	Yes	30,000.00
5.	Employee's Compensation Case, claim by employee	DCEC 673/2015	The applicant slipped and fell onto the ground, during the course of employment due to slippery and wet floor resulting in injuries.	HK\$200,000.00	Yes	30,000.00
6.	Employee's Compensation Case, claim by employee	DCEC 355/2016	The plaintiff during her course of employment was instructed to attend the staff washroom. While she was standing up from the water closet, she sprained her ankle. As a result, she sustained personal injury to her left ankle.	HK\$100,000	Yes	30,000.00
7.	Personal Injuries Action, claim by employee	HCPI 762/2015	The plaintiff during his course of employment (carrying out floor cleaning) slipped on the floor and fell on the ground and suffered right leg injury.	HK\$150,000.00	Yes	30,000.00
8.	Employee's Compensation Case, claim by employee	DCEC 313/2014	The applicant during his course of employment (carrying out floor cleaning), slipped on the floor and fell on the ground.	HK\$145,000.00	Yes	30,000.00

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<u>Category of claims</u>	<u>No. of claims</u>	<u>Reasons of the accidents and particulars of claims</u>	<u>Total amount settled</u> <i>(approximate HK\$)</i>	<u>Covered by insurance</u>	<u>Amount borne by the Group</u> <i>(Note)</i> <i>HK\$</i>
9. Employee's Compensation Case, claim by employee	DCEC 2264/2014	The applicant was cleaning a bus at a bus stop and the bus moved suddenly, as a result she lost her balance and rolled downstairs, sustaining multiple injuries.	HK\$115,000.00	Yes	30,000.00
10. Employee's Compensation Case, claim by employee	DCEC 1577/2015	The applicant during her course of employment (lifting a plastic pallet containing 9 cartons of milk) injured her back.	HK\$100,000.00	Yes	40,000.00
11. Employee's Compensation Case, claim by employee	DCEC 584/2015	The applicant was assigned to work at various stations of the Light Rail Transit. While going to the toilet, he slipped and fell on the wet and slippery floor resulting in injuries.	HK\$80,000.00	Yes	30,000.00
12. Employee's Compensation Case, claim by employee	DCEC 2552/2016	The applicant was setting meals in the course of employment and fell down due to the wet and slippery floor. As a result she suffered a fractured right wrist injury.	HK\$50,000.00	Yes	40,000.00
13. Personal Injuries Action, claim by employee	DCPI 1961/2014	During the course of employment, the plaintiff slipped and lost balance and fell forward when she was walking on a raised platform at the entrance of a mall. As a result, she sustained personal injuries.	HK\$49,850.67	Yes	30,000.00
14. Employee's Compensation Case, claim by employee	DCEC 1367/2015	The applicant was cleaning in a toilet cubicle in the course of employment and her left hand was trapped in a crack between the door edge and its frame. As a result she sustained injuries to her left ring finger.	HK\$40,000.00	Yes	40,000.00
15. Employee's Compensation Case, claim by employee	DCEC 844/2015	The applicant was moving a sofa in the course of employment, as she was lifting the sofa by herself, she sprained her wrist and sustained a back injury.	HK\$38,600.00	Yes	38,600.00
16. Employee's Compensation Case, claim by employee	DCEC 2134/2014	While in the course of employment, the applicant was walking and tripped on uneven ground, lost his balance and fell down on the ground on his right knee	HK\$32,000.00	Yes	32,000.00
<i>Personal injuries claims by independent third parties</i>					
17. Personal Injuries Action, claim by independent third party	HCPI 681/2014	The plaintiff slipped and fell on a slippery part of the floor and sustained injuries to his right shoulder, hand, and thumb.	HK\$387,488.65	Yes	30,000.00

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<u>Category of claims</u>	<u>No. of claims</u>	<u>Reasons of the accidents and particulars of claims</u>	<u>Total amount settled</u>	<u>Covered by insurance</u>	<u>Amount borne by the Group</u>
			<i>(approximate HK\$)</i>		<i>(Note)</i> <i>HK\$</i>
18. Personal Injuries Action, claim by independent third party	DCPI 2121/2015	The plaintiff was taking an escalator of the shopping center from G/F to Level B1/F. After walking a few steps from the escalator, she slipped and suffered personal injuries.	HK\$375,000.00	Yes	30,000.00
19. Personal Injuries Action, claim by independent third party	DCPI 2369/2014	The plaintiff sustained personal injuries when she stepped onto water stains and fell at a MTR station.	HK\$195,000.00	Yes	30,000.00
20. Personal Injuries Action, claim by independent third party	DCPI 2189/2014	The plaintiff was a passenger of the MTR train. While he was walking in the concourse area he slipped and fell on the floor. He sustained personal injuries as a result.	HK\$160,000.00	Yes	30,000.00
21. Personal Injuries Action, claim by independent third party	DCPI 2493/2015	The plaintiff fell while stepping onto a piece of smashed cabbage on the floor and sustained personal injuries.	HK\$150,000.00	Yes	30,000.00

*Notes:*

- (1) In the previous years, the amount payable under the insurance policy for employee compensation claims was (i) HK\$30,000 for 2012–2013 and 2013–2014 and (ii) HK\$40,000 for 2014–2015 and 2015–2016.
- (2) This claim was fully covered by insurance as there is no policy excess under the relevant insurance policy for that year.

Given that the claims and potential claims for employees' compensation or personal injuries claims against the Group are covered by insurance, the Directors are of the view that the claims as disclosed above have no material adverse impact on the operation or financial position or business of the Group.

### INTERNAL CONTROL

The Group has engaged an independent internal control adviser to perform a detailed evaluation of the Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group's corporate governance, ensure compliance with the applicable safety regulations, and prevent recurrence of the Group's non-compliance incidents.

The independent internal control adviser provides internal control review services, and has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong. The engagement team of the independent internal control adviser includes members of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Certified Internal Auditor and the Certified Information Systems Auditor.

Given (i) the nature of cleaning and related work, size of operation of the Group, service area covered at different work sites and number of staff employed during the Track Record Period, and (ii) in the most recent visit of SGS in November 2015, the SGS Surveyor had not identified any material

## BUSINESS

deficiencies in relation to workplace safety or regarded any corrective measures as ineffective, the Directors are of the view, and the Sponsor concurred, that the number of work injuries recorded is reasonable and does not reflect deficiencies and weaknesses in the Group's safety measures and internal control measures.

The independent internal control advisor began the review of the Group's internal control system in December 2015 and conducted follow up review in May 2016.

According to the result of the follow up review by the independent internal control adviser, the Directors confirmed that the Group did not have significant deficiencies in its internal control design for ensuring compliance with the applicable safety regulations, and preventing the recurrence of the Group's non-compliance incidents as at the Latest Practicable Date.

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

Based on the follow up review performed by the independent internal control advisor, the Directors confirmed, as concurred by the Sponsor, that the Group did not have significant deficiencies in its internal control design.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board consists of four executive Directors and five independent non-executive Directors. The following table sets forth the information regarding the Directors:

Name	Age	Date of joining the Group	Date of appointment as a Director	Position	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Madam Ng Sing Mui (吳醒梅)	56	29 December 1983	31 May 2016	Executive Director and chairperson of the Group	Strategic planning, operation planning and overall management of the Group	Mother of Ms. Sze Tan Nei and Mr. Sze Wai Lun
Ms. Sze Tan Nei (施丹妮)	36	21 February 2007	20 June 2016	Executive Director	Strategic planning, operation planning and compliance control of the Group's business operation	Daughter of Madam Ng, and sister of Mr. Sze Wai Lun
Mr. Ang Ming Wah (洪明華)	60	1 March 2007	20 June 2016	Executive Director	Business development and planning, control and management of the Group's business operation	Nil
Mr. Sze Wai Lun (施偉倫)	34	10 September 2007	20 June 2016	Executive Director	Overall management of IT development of the Group	Son of Madam Ng and brother of Ms. Sze Tan Nei
Mr. Yuen Ching Bor Stephen (袁靖波)	69	21 February 2017	21 February 2017	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. Chung Koon Yan (鍾琯因)	52	21 February 2017	21 February 2017	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. Ma Kwok Keung (馬國強)	56	21 February 2017	21 February 2017	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. Wong Yat Sum (黃一心)	40	21 February 2017	21 February 2017	Independent non-executive Director	Provide independent advice to the Board	Nil
Mr. Chan Chun Sing (陳振聲)	37	21 February 2017	21 February 2017	Independent non-executive Director	Provide independent advice to the Board	Nil

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Madam Ng Sing Mui** (吳醒梅), age 56, a co-founder of the Group, has been appointed as an executive Director since 31 May 2016 and is currently acting as the chairperson. Madam Ng is primarily responsible for the strategic planning, operation planning and overall management of the Group. Madam Ng is the mother of Ms. Sze Tan Nei and Mr. Sze Wai Lun. She is also a director of Winson Cleaning, Winson Pest Control and Wealthy Strong.

Madam Ng has more than 30 years of experience in the environmental hygiene services industry in Hong Kong. In December 1983, Madam Ng co-founded the Group with Mr. Sze. Building the business from the ground up, Madam Ng has held a leadership role in the overall management and business development of the Group and has maintained relationships with key customers since co-founded the Group.

Madam Ng is a certified associate fellow of the Australian Institute of Management since September 1995. She was also awarded a Training Certificate on Fire Prevention (Commercial Sector) issued by the Occupational Safety & Health Council in August 2001.

Madam Ng was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

<b>Company</b>	<b>Place of incorporation</b>	<b>Date of incorporation</b>	<b>Date of dissolution</b>
Clifford International Holdings Limited 鴻福國際集團有限公司	Hong Kong	26 July 2004	1 February 2008
Winson (Wayland) Group Limited 永順(偉倫)集團有限公司	Hong Kong	22 July 1993	12 September 2008
Winson Stone Care Limited 威信雲石護理有限公司	Hong Kong	4 April 2001	1 August 2008

Madam Ng confirmed that the above deregistration were voluntary by way of submitting an application to the Companies Registry of Hong Kong and all of the above companies were solvent at the time of dissolution. Madam Ng also confirmed that there was no wrongful act on her part leading to the above dissolutions of the companies and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolutions of these companies.

Madam Ng has not held any directorship in any other public listed company during the three years immediately preceding the date of this prospectus.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Sze Tan Nei** (施丹妮), age 36, joined the Group in February 2007 and was appointed as an executive Director on 20 June 2016. She is primarily responsible for strategic planning, operation planning and compliance control of the Group's business operation. Ms. Sze Tan Nei is the daughter of Madam Ng and the sister of Mr. Sze Wai Lun. Ms. Sze Tan Nei is also a director of Winson Cleaning, Winson Pest Control and Wealthy Strong.

Ms. Sze graduated from Queensland University of Technology, Australia, with a Bachelor of Business (Management) in October 2004. She completed the Pest Control and Pesticide Safety for Industrial Undertakings course organised by The Hong Kong Polytechnic University in 2008. Ms. Sze was certified as a Quality Management Systems Auditor by the International Register of Certificated Auditors, by completing the Lead Auditor Training Course (in accordance to international standards ISO 9001:2008 & ISO 19011:2002) co-organised by the Hong Kong Quality Assurance Agency and International Management Systems Associates Limited in October 2009. She has also completed the Environmental Management Systems Auditor/Lead Auditor Training Course for ISO 14001:2004 & ISO 19011:2002 in January 2010, and the Occupational Health & Safety Management Systems Auditor/Lead Auditor Training Course for BS OHSAS 18001:2007 & ISO 19011:2002 in April 2011.

Prior to joining the Group, Ms. Sze was employed as property management assistant in April 2005 by Jones Lang LaSalle Management Ltd, being a company engaging in the provision of services specialising in real estates. She was subsequently promoted to the position of assistant management surveyor in March 2006 and remained in that position until she left such company in August 2006. In August 2006, she was employed as a marketing assistant in the communications department of Hongkong Land Group Limited, being a company engaging in property investment, management and development until February 2007.

Ms. Sze has not held any directorship in any other public listed company during the three years immediately preceding the date of this prospectus.

**Mr. Ang Ming Wah** (洪明華), age 60, joined the Group in March 2007 and was appointed as an executive Director of the Company on 20 June 2016. He is primarily responsible for the business development and planning, control and management of the Group's business operation.

Mr. Ang graduated from the University of Waterloo, Canada, with a Bachelor of Mathematics in October 1978, and Bachelors of Arts in October 1979. He also completed an Executive Program organised by the Business School of the University of Michigan in 1997. Mr. Ang was admitted as an associate member of the Hong Kong Management Association in 1986 and was appointed as an "Occupational Safety and Health Ambassador" by the Occupational Safety & Health Council in 2008.

Mr. Ang has over 30 years of experience in the environmental hygiene services industry in Hong Kong. Before joining the Group, Mr. Ang was employed by Reliance Services Company Limited (now known as ISS Facility Services Limited), being a company engaging in the provision of environmental hygiene related services, as operations manager in May 1986. He was subsequently promoted to senior operations manager in October 1988. Mr. Ang left in February 2000 and his last position held was director in operation department. Mr. Ang subsequently joined Best Result Cleaning Services Ltd., being a company engaging in the provision of cleaning services, as general manager in July 2000 and was appointed to director and general manager in 2004. He held that position until he left in September 2006.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Ang has not held any directorship in any other public listed company during the three years immediately preceding the date of this prospectus.

In November 2010, Mr. Ang initiated an individual voluntary arrangement at the High Court of Hong Kong in respect of outstanding liabilities in the aggregate amount of approximately HK\$1.2 million. The reasons for the entering of the individual voluntary arrangement were due to overspending for his family and his losses in the stock market between 2005 and 2008. The individual voluntary arrangement, which was considered and approved by the creditors, resulted in the settlement of such liabilities through the payment of an aggregate amount of approximately HK\$1.5 million. Mr. Ang financed the repayment under the individual voluntary arrangement through his own financial means and income. Upon the final settlement of the last payment of the individual voluntary arrangement, the said individual voluntary arrangement has been fully implemented in May 2015.

As confirmed by Mr. Ang Ming Wah, the abovementioned individual voluntary arrangement was filed not owing to any fraud, breach of duty or other misconduct involving dishonesty on his part. As Mr. Ang had used his best endeavor to fulfill his monetary obligations of repayment of debts owed to those various creditors and had worked his way through and now is part of the management team of the Company, Mr. Chan Chung, the legal counsel engaged by the Company, is of the view that strictly speaking the entering of the individual voluntary arrangement is not integrity related and that such entering of the individual voluntary arrangement is unlikely to affect the integrity of Mr. Ang nor would such entering of the individual voluntary arrangement cast doubt on Mr. Ang's suitability of being a director of a listed issuer.

Having considered that (i) such individual voluntary arrangement was not a result of any fraud, breach of duty or other misconduct involving dishonesty on Mr. Ang's part; (ii) the legal counsel is of the opinion that the entering of the individual voluntary arrangement is unlikely to affect the integrity of Mr. Ang nor his suitability of being an executive Director; (iii) Mr. Ang Ming Wah's experience in the environmental hygiene services industry; (iv) his significant contribution to the development and growth of the Group; and (v) his solid relationship with the Group's customers and suppliers, the Directors consider that Mr. Ang Ming Wah has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as an executive Director pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules.

**Mr. Sze Wai Lun (施偉倫)**, age 34, joined the Group in September 2007 and was appointed as an executive Director of the Company on 20 June 2016. He is primarily responsible for the overall management of IT development of the Group. Mr. Sze Wai Lun is the son of Madam Ng and brother of Mr. Sze Tan Nei.

Mr. Sze Wai Lun graduated from Griffith University, Australia, with a Bachelor of Commerce in December 2006, and a Diploma of Commerce from Queensland Institute of Business and Technology (now known as Griffith College), Australia, in February 2003. He has also obtained a Diploma in SME Company Operation & Management from Hong Kong Productivity Council in September 2014.

Prior to joining the Group, Mr. Sze Wai Lun was employed by Citicorp International Limited, being a company that provides banking and financial services as a securities operations professional in the securities operations department of the operations and technology group in April 2007. He held that position until he left such company in August 2007.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Sze Wai Lun has not held any directorship in any other public listed company during the three years immediately preceding the date of this prospectus.

### Independent non-executive Directors

**Mr. Yuen Ching Bor Stephen (袁靖波)**, M.H., age 69, was appointed as an independent non-executive Director on 21 February 2017, and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company.

Mr. Yuen graduated with a Master of Science in Interdisciplinary Design and Management from The University of Hong Kong in November 2013. He is an Eminent Fellow Member of the Royal Institution of Chartered Surveyors, Fellow Member of Chartered Institute of Housing, Fellow Member of the HK Institute of Housing and a Member of the Chartered Institute of Arbitrators. He has approximately 32 years of real estate experience from both public and private sectors. He currently is a director of a real estate investment fund.

Mr. Yuen has served as ex-Chairman of the Industry Training Advisory Committee (property management) of the Education Bureau, past chairman of the Real Estate Service Training Board, ex-committee member of the Employee Retraining Board, ex-member of the Land and Building Advisory Committee, past chairman of the Chartered Institute of Housing (HK branch), past President of the HK Association of property management companies, past president of the HK Institute of Real Estate Administrators.

Mr. Yuen's leadership, knowledge, experience and professional network are invaluable and much appreciated by the Group.

Mr. Yuen has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

Mr. Yuen was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

<b>Company</b>	<b>Place of incorporation</b>	<b>Date of incorporation</b>	<b>Date of dissolution</b>
Bunny Company Limited 繽麗有限公司	Hong Kong	11 March 1983	9 May 2003

## DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Yuen was previously a director of the company shown in the table below which was dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance due to cessation of business:

Company	Place of incorporation	Date of incorporation	Date of dissolution
Lung Pang International Limited 龍鵬國際有限公司	Hong Kong	21 July 1987	14 March 2003

Further, Mr. Yuen was previously a director of the company shown in the table below which was dissolved by members' voluntary winding up due to cessation of business:

Company	Place of incorporation	Date of incorporation	Date of dissolution
Elegant Investment Development Limited 高雅投資發展有限公司	Hong Kong	22 June 2006	27 August 2014
O & P Limited	Hong Kong	11 May 2007	22 July 2014

Mr. Yuen confirmed that there was no wrongful act on his part leading to the above dissolutions of the companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of these companies.

**Mr. Chung Koon Yan (鍾琯因)**, age 52, was appointed as an independent non-executive Director on 21 February 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Chung graduated with a Master of Professional Accounting from The Hong Kong Polytechnic University, Hong Kong in November 2000. Mr. Chung is a practicing member of The Hong Kong Institute of Certified Public Accountants. He is also a fellow member of each of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales since October 2003, February 2007 and November 2014 respectively.

Mr. Chung is currently a director of Chiu, Choy & Chung CPA Ltd. and has more than 20 years' experience in accounting, auditing and taxation. His position on the Board and committees with the Group brings a wealth of expertise and guidance on these matters.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung is and has held a directorship position in the following listed companies:

Listed Company	Listed Exchange	Position held	Date of commencement	Date of cessation
Synergy Group Holdings International Limited	Hong Kong Stock Exchange (Stock Code: 1539)	Independent non-executive director	March 2015	Current
Great World Company Holdings Limited	Hong Kong Stock Exchange (Stock Code: 8003)	Independent non-executive director	May 2008	Current
Asian Citrus Holdings Limited	Hong Kong Stock Exchange (Stock Code: 0073); London Stock Exchange (Stock Code: ACHL)	Independent non-executive director	November 2013	Current
China Financial Leasing Group Limited	Hong Kong Stock Exchange (Stock Code: 2312)	Independent non-executive director	September 2004	January 2013
Global Mastermind Holdings Limited (formerly known as Well Way Group Limited)	Hong Kong Stock Exchange (Stock Code: 8063)	Independent non-executive director	January 2006	April 2014
Landsea Green Properties Co., Ltd.	Hong Kong Stock Exchange (Stock Code: 0106)	Independent non-executive director	June 2009	July 2013

In view of the other directorships held by Mr. Chung, Mr. Chung has confirmed that he will dedicate sufficient working time to the Group after the Listing. The Group and Mr. Chung consider that it is feasible given Mr. Chung only assumes a non-executive role in each of the foregoing companies.

Save as disclosed above, Mr. Chung has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

**Mr. Ma Kwok Keung (馬國強)**, age 56, was appointed as an independent non-executive Director on 21 February 2017 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is a member of both the audit committee and the nomination committee of the Company.

Mr. Ma is a practicing solicitor in Hong Kong. He graduated from the Australian National University, Australia with a Bachelor Degree in Arts in 1983 and a Bachelor Degree in Laws in 1984. He was admitted to the High Court of Hong Kong in July 1987 and is also a qualified lawyer in both state and federal courts in Australia. Mr. Ma is currently a partner of Chiu & Partners and his main practice area is securities, banking and commercial law. His professional expertise and experience offers invaluable insights and advice to the Board and its decisions with regards to the law and legislations.

Mr. Ma has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Yat Sum (黃一心)**, aged 40 was appointed as an independent non-executive Director on 21 February 2017 and is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct. He is a member of the nomination committee of the Company.

Mr. Wong obtained a Special Degree of Bachelor of Science in Accounting from The University of Hull in the United Kingdom in July 2000. He has been a fellow of the Hong Kong Institute of Certified Public Accountants since October 2014 and Association of Chartered Certified Accountants since August 2013.

Mr. Wong has over 16 years of auditing, accounting and financial management experience. He worked for Deloitte Touche Tohmatsu from September 2000 to October 2007. From November 2007 to November 2009, Mr. Wong worked for a private wood flooring company as a financial controller in Shanghai, PRC. Mr. Wong has been the chief financial officer of Youyuan International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 2268), since December 2009 and has been its company secretary and authorised representative since 14 January 2010.

Mr. Wong did not hold any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

**Mr. CHAN Chun Sing (陳振聲)**, aged 37, was appointed as an independent non-executive Director on 21 February 2017 and is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct. He is a member of the audit committee of the Company.

Mr. Chan has over 13 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2001. In November 2015, Mr. Chan obtained an executive master of business administration from the Chinese University of Hong Kong. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006 and a member of the Hong Kong Institute of Directors since March 2013. Mr. Chan worked for Deloitte Touche Tohmatsu from September 2001 to July 2011 and his last position held was senior manager in the audit department.

Mr. Chan also served as an independent non-executive director of Northern New Energy Holdings Limited (formerly known as Noble House (China) Holdings Limited) (stock code: 8246) from December 2011 to October 2013. He joined a private company as chief financial officer from July 2013 to February 2014 and was appointed as executive director from March 2014 to April 2015 and was designated as non-executive director since May 2015. Mr. Chan serves as an independent non-executive director of Lai Si Enterprise Holding Limited (stock code: 2266) since January 2017. He has also been appointed as the chief financial officer of Lap Kei Engineering (Holdings) Limited (stock code: 8369) since February 2015.

Save as disclosed above, Mr. Chan did not hold any directorship in other listed companies in the past three years.

## DIRECTORS AND SENIOR MANAGEMENT

### Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of the Directors confirms, respectively, that: (i) directorships in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas, are currently not held, and have not been held in the last three years; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the paragraphs headed “C. Further information about Directors and substantial shareholders — 1. Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations following the Capitalisation Issue and the Share Offer” in Appendix V to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

### SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

Name	Age	Date of joining the Group	Position	Relationship with other Director(s) and/or senior management
Mr. Leung Chi Kong (梁志剛)	54	5 February 2007	Senior manager — Operations & Development	Nil
Mr. Chow Kai Chi (周啟智)	48	14 November 2005	Finance manager	Nil

**Mr. Leung Chi Kong** (梁志剛), age 54, is the senior manager — Operations & Development of the Group. He is primarily responsible for the overall management of sites operations of the Group.

Mr. Leung has over 30 years of experiences in the environmental hygiene services industry in Hong Kong. He was employed by Reliance Services Company Limited (now known as ISS Facility Services Limited), being a company engaging in the provision of environmental hygiene related services, as an assistant foreman. He left such company in February 2001 and the last position held was site manager. Mr. Leung then joined Best Result Cleaning Services Ltd., being a company engaging in the provision of cleaning services, where he worked as assistant operations manager in February 2001 and was subsequently promoted to operation manager in October 2004, where he held such position until he left the company in September 2006 and joined the Group in February 2007.

Mr. Leung has obtained a Certificate Programme on Supervisory Management from The Hong Kong Management Association in March 2000 and he was awarded a Training Certificate on Safety for Cleansing Work (managers and supervisors) by the Occupational Safety & Health Council in December

## DIRECTORS AND SENIOR MANAGEMENT

2009. Mr. Leung also obtained an Aluminum Mobile Working Platform Training Certificate issued by Origin Production Limited trading as The Hong Kong Safety Training Association in July 2004 and held a Construction Industry Safety Training Certificate from June 2004 to June 2007.

Mr. Leung has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

**Mr. Chow Kai Chi (周啟智)**, age 48, is the finance manager of the Group. He is primarily responsible for the financial reporting, financial planning, treasury, financial control matters of the Group.

Mr. Chow obtained a Bachelor of Arts in Business Accounting in September 1999 from the University of Lincolnshire & Humberside (now known as the University of Lincoln), the United Kingdom by long distance learning. He is currently a member of the Hong Kong Institute of Certified Public Accountants and was admitted as a member of The Association of Chartered Certified Accountants in October 2001.

Mr. Chow has over 27 years of experience in accounting industry in Hong Kong. He was employed as a clerk in the finance department by Nanyang Brothers Tobacco Co., Ltd, a tobacco manufacturer in June 1988. He was promoted to senior clerk in January 1991 and held that position until he left in August 1991. Mr. Chow then joined Yue Po Engineering Co., Ltd, being a company that provides kitchen design services and supplies catering equipment as senior clerk in the accounting department in March 1992 and was promoted to account officer in October 1992, in which position he remained until he left such company in March 1995. He then joined Siu Wor Trading Co. Ltd, being a company engaging in jewellery trading related business as an accountant in April 1995 and left the company in January 1998. Mr. Chow subsequently joined Trans Asia Computer Superstore Ltd., being a company engaging in sales of computer related equipment as an accountant from June 1998 to August 1999. He then worked as a senior accountant in Hung Mau Realty & Construction Ltd, being a company engaging in the provision of general construction works from November 1999 to July 2002. From July 2002 to April 2005, Mr. Chow worked as an accountant at Broadway Photo Supply Ltd, then being an exporter of camera and photographic equipment. He then worked as an accountant in Suga Electronics Limited, being a company providing advanced electronics manufacturing services, from May 2005 to August 2005 and joined the Group in November 2005.

Mr. Chow has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

**Ms. Chan Pui Shan, Bessie (陳佩珊) (“Ms. Chan”)**, age 41, was appointed as the company secretary of the Company on 13 June 2016. Her responsibilities are to serve as one of the primary contact points for communications with the Stock Exchange and relevant regulatory bodies for the Group, and advise the board and senior management accordingly on matters relating to governance, administration, and management.

## **DIRECTORS AND SENIOR MANAGEMENT**

Ms. Chan obtained a Bachelor of Social Science in December 1998 from The Chinese University of Hong Kong and a master's degree in professional accounting and corporate governance in November 2007 from the City University of Hong Kong. She was admitted as an associate member of each of Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and The Institute of Chartered Secretaries and Administrators in 2001.

Ms. Chan has over 15 years' solid experience in regulatory compliance, corporate governance and corporate secretarial matters of listed and non-listed companies. She is currently the company secretary of Austar Lifesciences Limited (stock code: 6118), China Green (Holdings) Limited (stock code: 0904) and Han Tang International Holdings Limited (stock code: 1187), all being companies listed on the Main Board of the Stock Exchange. She is also an executive director of Uni-1 Corporate Services Limited, a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations.

Ms. Chan does not act as an individual employee of the Company, but as an external service provider in respect of her proposed appointment as the company secretary of the Company. Pursuant to Code F.1.1 of the Corporate Governance Code, an issuer can engage an external service provider as its company secretary, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact and such person will be Ms. Sze Tan Nei, an executive Director and the compliance officer of the Company.

While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, having considered Ms. Chan's experience, both the Company and Ms. Chan are of the view that she will have sufficient time, resources and support to fulfil her duties as company secretary of the Company.

In view of Ms. Chan's experience as company secretary in listed companies, the Directors believe that Ms. Chan has the appropriate company secretarial expertise for the purposes of Rule 5.14 of the GEM Listing Rules.

### **COMPLIANCE OFFICER**

Ms. Sze Tan Nei is the compliance officer of the Group. For her biographical information, please refer to the paragraphs headed "Directors" in this section.

### **REMUNERATION POLICY**

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by considering, among other things, the particular responsibilities of the Directors and senior managers, the market level of remuneration and compensation paid by comparable companies, and the overall performance of the Group.

## DIRECTORS AND SENIOR MANAGEMENT

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their respective experience, responsibilities, contribution, and time devoted to the Group and its overall performance. The Directors and senior management may also be offered options under the Share Option Scheme.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016, the aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to the Directors were approximately HK\$4.3 million, HK\$7.4 million and HK\$2.9 million, respectively.

Among the Group's five highest paid individuals during the Track Record Period, four of them were the Directors whose emoluments are disclosed above. Set out below is the summary of the emoluments in respect of the remaining one individual during the Track Record Period:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Salaries, allowances and other benefits	720	501	200	205
Contribution to pension fund	36	18	8	10
	756	519	208	215

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as below:

	<i>HK\$</i>
<b>Executive Directors</b>	
Madam Ng	3,276,000
Ms. Sze Tan Nei	2,624,400
Mr. Ang Ming Wah	1,352,400
Mr. Sze Wai Lun	982,800
	<i>HK\$</i>
<b>Independent non-executive Directors</b>	
Mr. Yuen Ching Bor Stephen	240,000
Mr. Chung Koon Yan	240,000
Mr. Ma Kwok Keung	240,000
Mr. Wong Yat Sum	240,000
Mr. Chan Chun Sing	240,000

## **DIRECTORS AND SENIOR MANAGEMENT**

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

### **SHARE OPTION SCHEMES**

The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme is to provide the Group with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants and potential participants comprising of, among others, employees and directors of any member of the Group. Details of the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the paragraphs headed “D. Share Option Schemes” in Appendix V to this prospectus.

### **BOARD COMMITTEES**

#### **Audit Committee**

The Company established the audit committee on 21 February 2017 with written terms of reference in compliance with the paragraphs C3.3 and D.3.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises four independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Yuen Ching Bor Stephen, Mr. Ma Kwok Keung and Mr. Chan Chun Sing with Mr. Chung Koon Yan being the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Group’s financial reporting process, internal control system and corporate governance.

#### **Remuneration Committee**

The Company established the remuneration committee on 21 February 2017 which, comprises Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan and Ms. Sze Tan Nei with Mr. Yuen Ching Bor Stephen being the chairman of the committee. Written terms of reference in compliance with paragraph B.1.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration of the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **Nomination Committee**

The Company established the nomination committee on 21 February 2017. The nomination committee comprises Madam Ng, Mr. Yuen Ching Bor Stephen, Mr. Ma Kwok Keung and Mr. Wong Yat Sum. Madam Ng has been appointed as the chairperson of the nomination committee. Written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

### **CORPORATE GOVERNANCE**

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Messis Capital to be the compliance adviser, who will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

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

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

## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

### **CONTROLLING SHAREHOLDERS**

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme), each of Sze's Holdings, Rich Cheer, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun will be regarded as the Controlling Shareholders (within the meaning of the GEM Listing Rules), given they will control more than 30% of the issued share capital of the Company. Sze's Holdings is an investment holding company incorporated in the BVI and is wholly-owned by Rich Cheer. Rich Cheer is acting as the trustee of the Sze Family Trust and is wholly-owned by Madam Ng. Madam Ng is the settlor of the Sze Family Trust and the sole director of Sze's Holdings and therefore Madam Ng is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO. Madam Ng is also the sole director and shareholder of Rich Cheer. Ms. Sze Tan Nei is the daughter of Mr. Sze and Madam Ng. Ms. Sze Tan Nei is one of the beneficiaries of the Sze Family Trust and therefore she is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO. Mr. Sze Wai Lun is the son of Mr. Sze and Madam Ng. Mr. Sze Wai Lun is one of the beneficiaries of the Sze family Trust and therefore he is deemed and taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's holdings for the purposes of the SFO. As at the Latest Practicable Date, save and except for their respective interests in the Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had any interest in any other companies which held interests in the business of the Company during the Track Record Period and had ceased to hold such interests after the Reorganisation. Details of the shareholdings of the Controlling Shareholders are set forth in the section headed "C. Further information about directors and substantial shareholders" in Appendix V to this prospectus. The Group has been under the ownership and control by Madam Ng throughout the Track Record Period.

### **INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS**

The Directors do not expect that there will be any other significant transactions between the Group and its Controlling Shareholders and their respective associates upon or shortly after the Listing. The Directors believe that the Group is capable of carrying on its business independently of its Controlling Shareholders and their respective associates after the Share Offer having considered the following factors:

#### **Management independence**

The Board comprises four executive Directors and five independent non-executive Directors. The executive Directors are Madam Ng, Ms. Sze Tan Nei, Mr. Ang Ming Wah and Mr. Sze Wai Lun. Three of the independent non-executive Directors, Mr. Chung Koon Yan, Mr. Wong Yat Sum and Mr. Chan Chun Sing are Certified Public Accountants. The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion. Given the diversity of professions and working experience of the independent non-executive Directors, the Directors believe that the Board contains a balanced composition of independent non-executive Directors with adequate, integrity, calibre and knowledge for their views to carry weight and exercise independent judgment, and provides balanced views and opinions.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest. As such, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun will not attend the Board meetings when those matters or transactions relating to any of the Controlling Shareholders or their respective close associates or otherwise give rise to potential conflicts of interest come up for discussion and he/she would not be counted as quorum in the relevant meetings other than the matters allowed in the Articles and the GEM Listing Rules.

Save for the executive Directors, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The Directors are satisfied that the senior management team will be able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing its business independently from the Controlling Shareholders and their respective associates after the Share Offer.

In addition, the Board's main functions include the approval of the Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of the Company. The Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors and the non-competition undertakings given by the Controlling Shareholders in favour of the Group, details of which are contained in this section, the Directors are satisfied that they are able to perform their roles in the Group independently and are of the view that they are capable of managing the business of the Group independently from the Controlling Shareholders and their respective close associates after Listing.

### **Operational independence**

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to customers for the Group's business.

The Group has also established a set of internal control mechanisms to facilitate the effective operations of the Group's business. The Group's customers and suppliers are all independent from the Controlling Shareholders. The Group does not rely on the Controlling Shareholders or their respective close associates and has its independent access to customers and suppliers.

The Group currently does not have any intention to purchase or sell any products from/to its Controlling Shareholders and, if such happens in future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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

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

### **Financial independence**

The Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments, and independent access to third party financing. The Group makes financial decisions independently according to its own business needs.

The Group's bank borrowings during the Track Record Period were secured by (i) properties held by the Group and related parties; (ii) unlimited corporate guarantees executed by a related company; (iii) unlimited personal guarantees executed by the Directors, Madam Ng and Ms. Sze Tan Nei; (iv) assignment of rental proceeds of properties held by a related company, of which a Director, Madam Ng has beneficial interests; (v) assignment and charge of trade receivables from assigned debtors of the Group, trade receivables of approximately HK\$10.2 million, HK\$7.6 million and HK\$7.8 million of the Group were subject to such assignment and charge as at 31 March 2015 and 2016 and 31 August 2016; and (vi) trade receivables of approximately HK\$23.7 million, HK\$14.4 million and HK\$16.9 million of the Group as at 31 March 2015 and 2016 and 31 August 2016. Such properties held by related parties, unlimited corporate guarantees executed by a related company, personal guarantees executed by directors, Madam Ng and Ms. Sze Tan Nei and assignment of rental proceeds of properties held by a related company will be fully released, discharged or replaced by the corporate guarantee or other securities provided by the Group upon Listing.

Based on the above and the independence of the financial system from the Controlling Shareholders after Listing, the Directors believe that the Group will have sufficient capital to meet the financial needs without having to rely on its Controlling Shareholders. The Directors further believe that by leveraging on the Company's listing status after the Share Offer, the Group would be able to obtain third party financing at reasonable terms to meet the Group's business needs. In conclusion, the Directors consider that the Group's ability to operate as a going concern is not dependent on continuing financial support provided by its Controlling Shareholders.

### **COMPETITION**

None of the Directors, Controlling Shareholders or any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### DEED OF NON-COMPETITION UNDERTAKINGS

For the purpose of the Listing, each of the Controlling Shareholders has entered into the Deed of Non-competition Undertakings in favour of the Company (for its own and on behalf of all members of the Group) on 23 February 2017, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that during the period that the Deed of Non-competition Undertakings remains effective, each of the Controlling Shareholders shall not, and shall procure that none of his/her/its associates (excluding any member of the Group) shall, among others:

- (a) directly or indirectly (other than through the Group), whether on his/her/its own account or jointly with or on behalf of any person, firm or company, engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with the Group's existing business activity and any business activities which may be undertaken by the Group from time to time (the "**Restricted Business**") and/or which any member of the Group may undertake in Hong Kong from time to time ("**Restricted Territory**") except for the holding in aggregate by the Controlling Shareholders (individually or together or with their associates collectively), whether directly or indirectly, of not more than 5% shareholding interests in any listed company in Hong Kong that engages or is involved in any activity or business which directly or indirectly competes with the Restricted Business, only if and provided always that (i) at all times there is a third party shareholder holding (together, where appropriate, with his/her/its associates) a larger percentage of the shares in such listed company than the aggregate shareholding of him/her/it and/or his/her/its associates in such listed company; (ii) he/she/it and/or his/her/its associates are not entitled to appoint a majority of the directors of that listed company; and (iii) he/she/it and/or his/her/its associates will not participate in or be involved in any way in the business, management and/or operation of that listed company;
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business, including but not limited to, soliciting and/or enticing away from any member of the Group, of the Group's customers, suppliers or staff; and
- (c) exploit his/her/its knowledge or information or technique or skill or know-how or expertise obtained from the Group to compete, directly or indirectly, with the Restricted Business.

In addition, each of the Controlling Shareholders irrevocably and unconditionally undertakes that during the period that the Deed of Non-competition Undertakings remains effective, if he/she/it, or his/her/its associates, receives enquiries of or is made aware of or comes across any actual or potential business opportunity relating to any of the Restricted Business in the Restricted Territory (the "**Business Opportunity**") or any such Business Opportunity is made available to him/her/it or his/her/its associates, he/she/it shall direct or procure his/her/its associate to direct such Business Opportunity to the Group (and not to any other person) on a timely basis but in any event no later than 14 days from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such requisite information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant associate to provide the Group

## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

with all such assistance to secure such Business Opportunity as the Company or the relevant member of the Group may reasonably request or require. Any decision of the Group as to whether to pursue such Business Opportunity shall have to be approved by the independent non-executive Directors.

The Deed of Non-competition Undertakings shall take effect from the Listing Date and shall cease to have effect on a Controlling Shareholder on the earlier of (i) the date on which such Controlling Shareholder and his/her/its associates, individually or collectively ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined from time to time under the GEM Listing Rules) of the Company or (ii) the date on which the Shares cease to be listed on the Stock Exchange (save for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

### **CORPORATE GOVERNANCE MEASURES**

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

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;
- (2) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition Undertakings by its Controlling Shareholders;
- (3) its Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition Undertakings;
- (4) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition Undertakings of its Controlling Shareholders in the annual reports of the Company;
- (5) its Controlling Shareholders will make an annual declaration on compliance with their Deed of Non-competition Undertakings in the annual report of the Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed;
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition Undertakings or connected transaction(s) at the cost of the Company; and

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (8) the Company has appointed the Sponsor as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and corporate governance.

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

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

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding
Sze's Holdings	Beneficial owner <i>(Note 1)</i>	450,000,000	75%
Rich Cheer	Interest of controlled corporation as the trustee of a discretionary trust <i>(Note 2)</i>	450,000,000	75%
Madam Ng	Interest of controlled corporation; Settlor of a discretionary trust <i>(Note 3)</i>	450,000,000	75%
Ms. Sze Tan Nei	Beneficiary of a discretionary trust <i>(Note 4)</i>	450,000,000	75%
Mr. Sze Wai Lun	Beneficiary of a discretionary trust <i>(Note 5)</i>	450,000,000	75%

*Notes:*

1. Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme). Sze's Holdings will hold 450,000,000 Shares, representing 75% of the issued share capital of the Company.
2. The entire issued share capital of Sze's Holdings is held by Rich Cheer as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust established by Madam Ng. The beneficiaries of the Sze Family Trust include, inter alia, Mr. Sze Wai Lun and Ms. Sze Tan Nei. By virtue of the provisions of Part XV of the SFO, Rich Cheer is deemed or taken to be interested in all the Shares beneficially owned by Sze's Holdings.

## SUBSTANTIAL SHAREHOLDERS

3. All the 450,000,000 Shares are beneficially owned by Sze's Holdings, which is in turn held by Rich Cheer acting as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust set up by Madam Ng as settlor and Rich Cheer as trustee on 8 January 2015. The beneficiaries of the Sze Family Trust include, inter alia, Mr. Sze Wai Lun and Ms. Sze Tan Nei. Madam Ng is the settlor of the Sze Family Trust and the sole director of Sze's Holdings and therefore Madam Ng is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO. Madam Ng is also the sole director and shareholder of Rich Cheer.
4. Ms. Sze Tan Nei is the daughter of Mr. Sze and Madam Ng. Ms. Sze Tan Nei is one of the beneficiaries of the Sze Family Trust and therefore she is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO.
5. Mr. Sze Wai Lun is the son of Mr. Sze and Madam Ng. Mr. Sze Wai Lun is one of the beneficiaries of the Sze Family Trust and therefore he is deemed and taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO.

Save as disclosed herein, the Directors are not aware of any persons who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## SHARE CAPITAL

### SHARE CAPITAL

Assuming the Share Offer and the Capitalisation Issue becomes unconditional, without taking into account any Shares which may be issued upon exercise of options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme, the authorised and issued share capital of the Company immediately following the Completion of the Capitalisation Issue and the Share Offer will be as follows:

*Authorised:*

		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>

*Issued or to be issued, fully paid or credited as fully paid:*

1,000,000	Shares in issue as at the Latest Practicable Date	10,000
449,000,000	Shares to be issued pursuant to the Capitalisation Issue	4,490,000
<u>150,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,500,000</u>
<u>600,000,000</u>	Shares	<u>6,000,000</u>

### MINIMUM PUBLIC FLOAT

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

### RANKING

The Offer Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEMES

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. A summary of its principal terms is set out in the paragraphs headed “D. Share Option Schemes” in Appendix V to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with a total number of not more than:

- (a) 20% of the number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme); and

## SHARE CAPITAL

- (b) the number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 23 February 2017” in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by the Company of the own securities” in the section headed “A. Further information about the Company” in Appendix V in this prospectus.

The general mandate to issue and repurchase Shares will expire:

- (a) at the conclusion of the next annual general meeting of the Company;
- (b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed “A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 23 February 2017” and “A. Further information about the Company — 6. Repurchase by the Company of the own securities” respectively in Appendix V in this prospectus.

## FINANCIAL INFORMATION

*You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. The Group's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.*

### OVERVIEW

The Group is a Hong Kong-based service provider specialising in environmental hygiene services and airline catering support services in Hong Kong. According to the Frost & Sullivan Report, the Group ranked 6th among environmental hygiene service providers in Hong Kong in terms of revenue and had approximately 3.8% market share in terms of the total environmental hygiene services industry revenue in 2015. Meanwhile, the Group also had approximately 34.8% market share in airline catering support service market in 2015. Please refer to the section headed "Business — Overview" in this prospectus for further details of the Group's business.

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the total revenue of the Group were approximately HK\$369.2 million, HK\$449.8 million and HK\$191.4 million, while the profit for the year/period were approximately HK\$14.3 million, HK\$18.8 million and HK\$5.3 million, respectively.

The Group achieved steady growth in revenue during the Track Record Period. The revenue derived from environmental hygiene services and airline catering support services increased from approximately HK\$344.5 million and HK\$24.7 million for the year ended 31 March 2015 to HK\$415.3 million and HK\$34.5 million for the year ended 31 March 2016, representing increases of approximately 20.5% and 39.7%, respectively. Meanwhile, the revenue derived from environmental hygiene services and airline catering support services increased from approximately HK\$167.1 million and HK\$14.1 million for the five months ended 31 August 2015 to HK\$177.0 million and HK\$14.4 million for the five months ended 31 August 2016, representing increases of approximately 5.9% and 1.8%, respectively.

The Directors believe that the Group achieved growth in revenue and profit mainly by expansion of scope of services, expanded client base and increased revenue from customers as the Group maintained quality of services and competitive edge in the industry. Please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus for details.

## FINANCIAL INFORMATION

### **BASIS OF PRESENTATION**

The financial information set out in this report has been prepared in accordance with the basis of presentation and the accounting policies set out in note 1.3 and note 3 of Section II of the Accountant's Report set out in Appendix I to this prospectus which conform to HKFRSs (which collective term included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The financial information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

All HKFRSs effective on the accounting period commencing from 1 April 2015, together with the relevant transition provisions, have been early adopted by the Group in the preparation of the financial information throughout the Track Record Period.

The financial information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies set out below. The financial information is presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 5 of the Accountant's Report set out in Appendix I to this prospectus.

### **FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" in this prospectus and as set out below:

#### **Labour costs and shortage of labour**

Business operations of the Group are labour-intensive and due to the locality of its customers, any shortage in the supply of workers in Hong Kong may adversely affect the Group's operations and financial performance. The Group's operations in Hong Kong are required to comply with the statutory minimum wage requirements. The workforce size of the Group as at 31 March 2015 and 2016 and 31 August 2016 was in total of 2,508, 2,565 and 2,538 (including both full-time and part-time employees), respectively. For the two years ended 31 March 2016 and the five months ended 31 August 2016, direct labour costs amounted to approximately HK\$258.1 million, HK\$292.7 million and HK\$120.9 million, representing approximately 82.4%, 76.8% and 74.1% of total cost of services during the respective period. There is no assurance that the Group may be able to adequately increase service fees so as to pass all increased staff costs onto its customers, thus the Group's business operations, financial results and profitability may thereby be materially and adversely affected.

## FINANCIAL INFORMATION

In addition, there is no guarantee that the supply of workers in Hong Kong will remain stable. Any significant increase or decrease in the overall supply of or demand for workers in Hong Kong may materially affect the cost of the Group's operations and the quality of services. In the event that the Group fails to retain its existing staff and/or recruit sufficient and capable staff in a timely manner for the existing or future projects and/or there is a significant increase in the staff costs, the operations and profitability of the Group may be materially and adversely affected.

### **Ability to achieve success in the tendering process**

The Group derived a significant percentage of over 70.0% of revenue from Tender Contracts during the Track Record Period. However, the Group may not meet the tendering requirements set by customers from time to time. Even if the Group is able to meet the prerequisite requirements for tendering, there is no assurance that its tenders will be selected by customers. If the Group does not succeed during the tendering process, financial performance and profitability of the Group will be adversely affected.

### **Time lags of cash flow**

In respect of the Group's business, there are often time lags between making payments to the Group's employees and receiving payments from its customers. The Group pays salaries to the full-time employees on a monthly basis and generally settles within 7 days after the end of each month while the Group pays part-time employees within two weeks. On the other hand, the Group also issue invoices to its customers typically on a monthly basis in respect of the services provided during the month. The credit period granted to the Group's major customers in general ranges from 30 days to 75 days. However, there is no assurance that the customers will make payment on time and in full. During the Track Record Period, the Group's trade receivables turnover days were approximately 60.5 days, 56.4 days and 61.9 days, respectively, details of which are discussed in the section headed "Financial information — Trade receivables analysis" in this prospectus. If the Group fails to properly manage its exposure from such cash flow mismatch or if the Group experiences any difficulty in collecting a substantial portion of its trade receivables, the Group's cash flows and financial position could be materially and adversely affected.

### **Insurance expenses and litigation claims**

For the two years ended 31 March 2016 and the five months ended 31 August 2016, the aggregate insurance expenses of the Group were approximately HK\$5.1 million, HK\$5.5 million and HK\$2.3 million, respectively. During the Track Record Period, the Group had settled 16 litigation claims with aggregate settlement amount of approximately HK\$3.7 million out of which HK\$510,600 was borne by the Group pursuant to the insurance policy. There is no assurance that the insurance policies will cover the Group against future events and if the Group has to pay additional compensation out of its own resources for any uninsured claims, financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of cases, the Group may need to spend resources and incur costs to handle these claims, and these claims may also affect reputation of the Group in the environmental service industry, therefore adversely affect the Group's business operations, financial results and profitability.

## FINANCIAL INFORMATION

### Industry competition

According to the Frost & Sullivan Report, there is a large number of competitors in the environmental hygiene service industry in Hong Kong. Due to the number of competitors, there is high level of competition between environmental hygiene service providers for customers. Based on the competition in the industry, there is no assurance that the Group's customers will continue to engage the Group upon the expiration of the existing contracts between the Group and its customers. Furthermore, in order to compete effectively, the Group may have to offer lower prices and/or better terms than its competitors and if the Group is unable to reduce its cost accordingly, the Group's financial results and profitability will be adversely affected.

### CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements that the Group uses in applying its accounting policies are set out in note 5 of the notes to the Accountant's Report set out in Appendix I to this prospectus. In the application of the Group's accounting policies, the Directors are required to make judgment, 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 differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimates that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sales of goods and services in the normal course of business, net of rebates and discounts.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

Service income is recognised in the accounting period in which the services are rendered. For the service contract relates to routine services, the service income will be recognised on a straight-line basis over the contract terms as the work is performed. For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services. Receipts in respect of the service income for which the relevant services have not been rendered are recognised as receipts in advance in the combined statements of financial position.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

## FINANCIAL INFORMATION

### **Property, plant and equipment**

Please refer to note 4(c) of the Accountant's Report set out in Appendix I to this prospectus.

### **Leasing**

Please refer to note 4(d) of the Accountant's Report set out in Appendix I to this prospectus. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, which is mandatorily effective for annual periods beginning on or after 1 January 2019. The Group is yet to assess the full impact of the standard on its financial position and results of operations.

### **Financial instruments**

Please refer to note 4(e) of the Accountant's Report set out in Appendix I to this prospectus.

### **Inventories**

Please refer to note 4(f) of the Accountant's Report set out in Appendix I to this prospectus.

### **Deferred tax**

Please refer to note 4(i) of the Accountant's Report set out in Appendix I to this prospectus.

### **Impairment of non-financial assets**

Please refer to note 4(k) of the Accountant's Report set out in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out the Group's combined statements of comprehensive income during the Track Record Period, which was derived from the Accountant's Report as set out in Appendix I to this prospectus:

	<b>Year ended 31 March</b>		<b>Five months ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
<b>Revenue</b>	369,212	449,758	181,222	191,388
Cost of services	<u>(313,082)</u>	<u>(381,282)</u>	<u>(153,452)</u>	<u>(163,235)</u>
<b>Gross profit</b>	56,130	68,476	27,770	28,153
Other income and gains	1,429	836	516	248
General operating expenses	(37,148)	(43,394)	(15,784)	(20,014)
Finance costs	<u>(2,499)</u>	<u>(2,332)</u>	<u>(976)</u>	<u>(1,072)</u>
<b>Profit before income tax</b>	17,912	23,586	11,526	7,315
Income tax expense	<u>(3,581)</u>	<u>(4,772)</u>	<u>(2,118)</u>	<u>(2,011)</u>
<b>Profit for the year/period and total comprehensive income for the year/period</b>	<u><u>14,331</u></u>	<u><u>18,814</u></u>	<u><u>9,408</u></u>	<u><u>5,304</u></u>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, all of the Group's revenue was derived from environmental hygiene services and airline catering support services provided in Hong Kong. The following table sets out a breakdown of the total revenue by these services and by types of premises during the Track Record Period:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
<b>Environmental hygiene services</b>								
— Office and commercial centres	66,269	17.9	118,778	26.4	48,981	27.0	53,953	28.2
— Residential premises	53,189	14.4	58,033	12.9	24,059	13.3	22,627	11.8
— Transportation	124,832	33.8	133,734	29.7	54,712	30.2	55,529	29.0
— Others ( <i>Note 1</i> )	<u>100,247</u>	<u>27.2</u>	<u>104,730</u>	<u>23.3</u>	<u>39,363</u>	<u>21.7</u>	<u>44,917</u>	<u>23.5</u>
<b>Sub-total</b>	<b>344,537</b>	<b>93.3</b>	<b>415,275</b>	<b>92.3</b>	<b>167,115</b>	<b>92.2</b>	<b>177,026</b>	<b>92.5</b>
<b>Airline catering support services</b>	<b><u>24,675</u></b>	<b><u>6.7</u></b>	<b><u>34,483</u></b>	<b><u>7.7</u></b>	<b><u>14,107</u></b>	<b><u>7.8</u></b>	<b><u>14,362</u></b>	<b><u>7.5</u></b>
<b>Total</b>	<b><u><u>369,212</u></u></b>	<b><u><u>100.0</u></u></b>	<b><u><u>449,758</u></u></b>	<b><u><u>100.0</u></u></b>	<b><u><u>181,222</u></u></b>	<b><u><u>100.0</u></u></b>	<b><u><u>191,388</u></u></b>	<b><u><u>100.0</u></u></b>

*Note:*

- Others mainly include the environmental hygiene services provided in industrial buildings, hotels and tenants of various premises.

Total revenue of the Group increased from approximately HK\$369.2 million for the year ended 31 March 2015 to HK\$449.8 million for the year ended 31 March 2016, representing an increase of approximately HK\$80.5 million, or 21.8%. For the five months ended 31 August 2015 and 2016, revenue of the Group increased from approximately HK\$181.2 million to HK\$191.4 million, representing an increase of approximately HK\$10.2 million, or 5.6%.

As shown in the table above, environmental hygiene services segment was the primary service segment and largest source of the Group's total revenue, contributing approximately 93.3%, 92.3% and 92.5% of total revenue for each of the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016, respectively. Revenue derived from environmental hygiene services increased by approximately HK\$70.7 million or 20.5% from approximately HK\$344.5 million for the year ended 31 March 2015 to approximately HK\$415.3 million for the year ended 31 March 2016. Such increase was leading by the increase in revenue from customers of office and commercial centres which recorded increase in revenue of approximately HK\$52.5 million or 79.2%. Meanwhile, the revenue derived from environmental hygiene services also increased from approximately HK\$167.1 million for the five months

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ended 31 August 2015 to HK\$177.0 million for the five months ended 31 August 2016, representing an increase of approximately HK\$9.9 million or 5.9% mainly due to increase in revenue from customers of office and commercial centres which recorded increase in revenue of approximately HK\$5.0 million or 10.2%.

Besides, driven by the expanded customer base in airline catering support services segment, (i.e. a new customer whom the Group started catering support business with in early 2015 became one of the Group's five largest customers and contributed to approximately 5.6% of total revenue for the year ended 31 March 2016), the revenue derived from airline catering support services increased by approximately HK\$9.8 million or 39.7% from approximately HK\$24.7 million for the year ended 31 March 2015 to approximately HK\$34.5 million for the year ended 31 March 2016. For the five months ended 31 August 2015 and 2016, the revenue derived from airline catering support services segment remained stable at approximately HK\$14.1 million and HK\$14.4 million, respectively.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by private and public sectors:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sectors ( <i>Note 1</i> )	233,986	63.4	282,777	62.9	116,541	64.3	118,933	62.1
Public sectors ( <i>Note 2</i> )	<u>135,226</u>	<u>36.6</u>	<u>166,981</u>	<u>37.1</u>	<u>64,681</u>	<u>35.7</u>	<u>72,455</u>	<u>37.9</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

*Notes:*

1. Private sectors mainly represent privately-owned companies.
2. Public sectors mainly consist of departments of the Hong Kong Government, Hong Kong authorities and companies or entities with substantial government investment or influence.

Revenue derived from private sectors increased from approximately HK\$234.0 million for the year ended 31 March 2015 to HK\$282.8 million for the year ended 31 March 2016, representing an increase of approximately HK\$48.8 million or 20.9%, meanwhile revenue derived from public sectors increased from approximately HK\$135.2 million for the year ended 31 March 2015 to HK\$167.0 million for the year ended 31 March 2016, representing an increase of approximately HK\$31.8 million or 23.5%.

Revenue derived from private sectors increased from approximately HK\$116.5 million for the five months ended 31 August 2015 to HK\$118.9 million for the five months ended 31 August 2016, representing an increase of approximately HK\$2.4 million or 2.1%, meanwhile revenue derived from public sectors increased from approximately HK\$64.7 million for the five months ended 31 August 2015 to HK\$72.5 million for the five months ended 31 August 2016, representing an increase of approximately HK\$7.8 million or 12.0%.

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The Group enters into mainly two types of contracts: Tender Contracts and Quotations. The following table sets forth the breakdown of revenue by types of contracts:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tender Contracts	294,658	79.8	319,585	71.1	163,043	90.0	169,628	88.6
Quotations	<u>74,554</u>	<u>20.2</u>	<u>130,173</u>	<u>28.9</u>	<u>18,179</u>	<u>10.0</u>	<u>21,760</u>	<u>11.4</u>
<b>Total</b>	<u><u>369,212</u></u>	<u><u>100.0</u></u>	<u><u>449,758</u></u>	<u><u>100.0</u></u>	<u><u>181,222</u></u>	<u><u>100.0</u></u>	<u><u>191,388</u></u>	<u><u>100.0</u></u>

During the Track Record Period, more than 70.0% revenue of the Group generated from Tender Contracts and the service period of which is mainly in the range of one to three years. The Directors believe that such Tender Contracts bring the Group stable income stream. The Group's success rates in the tender process were approximately 29.5%, 23.4% and 21.3% for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. Meanwhile, the Group's success rates in renewing the existing tender contracts were approximately 86.8%, 69.6% and 73.9% for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively.

During each of the Track Record Period, the number of customers served was 778, 890 and 869, respectively. The following table sets out the number of customers served by the Group by types of contracts during the Track Record Period:

	As at 31 March		As at
	2015	2016	31 August 2016
Number of customers under Tender Contracts	65	63	69
Number of customers under Quotations	<u>713</u>	<u>827</u>	<u>800</u>
Number of customers	<u><u>778</u></u>	<u><u>890</u></u>	<u><u>869</u></u>

### Cost of services

During the Track Record Period, the Group's cost of services primarily comprised direct labour costs, manpower supplier charges, sub-contracting charges, consumables and miscellaneous goods and services. For the two years ended 31 March 2016 and the five months ended 31 August 2016, cost of services amounted to approximately HK\$313.1 million, HK\$381.3 million and HK\$163.2 million, respectively, representing approximately 84.8%, 84.8% and 85.3% of revenue, respectively, for such period.

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The following table sets out the breakdown of the Group's cost of services during the Track Record Period:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Direct labour costs	258,138	82.4	292,704	76.8	120,585	78.6	120,922	74.1
Manpower supplier charges	35,736	11.4	65,336	17.1	23,541	15.3	32,481	19.9
Sub-contracting charges	6,784	2.2	9,044	2.4	3,442	2.2	4,016	2.5
Consumables	12,419	4.0	13,510	3.5	5,499	3.6	5,512	3.4
Miscellaneous goods and services	5	—	688	0.2	385	0.3	304	0.1
	<u>313,082</u>	<u>100.0</u>	<u>381,282</u>	<u>100.0</u>	<u>153,452</u>	<u>100.0</u>	<u>163,235</u>	<u>100.0</u>

Total cost of services increased from approximately HK\$313.1 million for the year ended 31 March 2015 to HK\$381.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$68.2 million or 21.8%, which was in line with the increase in revenue of approximately 21.8%, thus gross profit margin of the Group maintained at the same level of approximately 15.2% for each of the two years ended 31 March 2015 and 2016.

Total cost of services increased from approximately HK\$153.5 million for the five months ended 31 August 2015 to HK\$163.2 million for the five months ended 31 August 2016, representing an increase of approximately HK\$9.8 million or 6.4%, which was in line with the increase of revenue of approximately 5.6%, and gross profit margin of the Group slightly decreased from approximately 15.3% to 14.7% for the corresponding period.

The Directors are of the view that direct labour costs are the main cost component of the services provided because the Group operates in a labour-intensive industry. Direct labour costs constituted approximately 82.4%, 76.8% and 74.1% of total cost of services for the two years ended 31 March 2016 and the five months ended 31 August 2016, which increased from approximately HK\$258.1 million for the year ended 31 March 2015 to HK\$292.7 million for the year ended 31 March 2016, representing an increase of approximately HK\$34.6 million or 13.4%. Such increase was mainly due to the increase in number of staff in operation team (including both environmental hygiene services and airline catering support services) from 2,467 as at 31 March 2015 to 2,526 as at 31 March 2016. For the five months ended 31 August 2015 and 2016, direct labour costs remained stable at approximately HK\$120.6 million and HK\$120.9 million, respectively.

Manpower supplier charges and sub-contracting charges mainly represented the cost charged by the third party service provider the Group engaged during the Track Record Period. The Group occasionally engages service providers when additional equipment or staff is needed for a project. Manpower supplier charges and sub-contracting charges in aggregate constituted approximately 13.6%, 19.5% and 22.4% of cost of services for the two years ended 31 March 2016 and the five months ended 31 August 2016, which increased by approximately HK\$31.9 million or 74.9% for the year ended 31 March 2016 and HK\$9.5 million or 35.3% for the five months ended 31 August 2016, mainly due to resources utilisation consideration to engage manpower suppliers and sub-contractors along with expanded revenue arising from new Tender Contracts obtained and enlarged customer base during the year of 2016.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

The table below sets forth a breakdown of the Group's segment gross profit and gross profit margin during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2015			2016		
	As %			As %			As %			As %		
	of total	Gross		of total	Gross		of total	Gross		of total	Gross	
Gross	gross	profit	Gross	gross	profit	Gross	gross	profit	Gross	gross	profit	
profit	profit	margin	profit	profit	margin	profit	profit	margin	profit	profit	margin	
HK\$'000		%	HK\$'000		%	HK\$'000		%	HK\$'000		%	
(unaudited)												
Environmental hygiene services	51,734	92.2	15.0	62,284	91.0	15.0	24,953	89.9	14.9	25,927	92.1	14.7
Airline catering support services	<u>4,396</u>	<u>7.8</u>	17.8	<u>6,192</u>	<u>9.0</u>	18.0	<u>2,817</u>	<u>10.1</u>	20.0	<u>2,226</u>	<u>7.9</u>	15.5
<b>Total</b>	<u><u>56,130</u></u>	<u><u>100.0</u></u>	15.2	<u><u>68,476</u></u>	<u><u>100.0</u></u>	15.2	<u><u>27,770</u></u>	<u><u>100.0</u></u>	15.3	<u><u>28,153</u></u>	<u><u>100.0</u></u>	14.7

During the Track Record Period, gross profit of the Group increased from approximately HK\$56.1 million for the year ended 31 March 2015 to HK\$68.5 million for the year ended 31 March 2016; while it also increased from approximately HK\$27.8 million for the five months ended 31 August 2015 to HK\$28.2 million for the five months ended 31 August 2016, which was in line with expanded revenue of the Group, and the Group maintained a gross profit margin of approximately 15.2%, 15.2% and 14.7% for the two years ended 31 March 2016 and the five months ended 31 August 2016.

#### *Environmental hygiene services*

Gross profit of environmental hygiene services segment increased from approximately HK\$51.7 million for the year ended 31 March 2015 to approximately HK\$62.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$10.6 million, or 20.4%. It also slightly increased from approximately HK\$25.0 million for the five months ended 31 August 2015 to approximately HK\$25.9 million for the five months ended 31 August 2016, representing an increase of approximately HK\$1.0 million, or 3.9%. The gross profit margin of environmental hygiene services segment maintained at approximately 15.0%, 15.0% and 14.7% for the two years ended 31 March 2016 and the five months ended 31 August 2016. The Directors are of the view that gross profit margin in this sector is relatively lower as compared to that of airline catering support services due to the fact that the nature of environmental hygiene services is labour-intensive whereas the level of skills required is relatively low. Besides, environmental hygiene services are rendered in multiple locations with large gross floor areas, and some of the customers may require a guaranteed headcount present in the locations according to the services contracts, accordingly, environmental hygiene services require a relatively larger workforce, resulting in a relatively lower gross profit margin.

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### *Airline catering support services*

Gross profit of airline catering support services segment increased from approximately HK\$4.4 million for the year ended 31 March 2015 to approximately HK\$6.2 million for the year ended 31 March 2016, representing an increase of approximately HK\$1.8 million, or 40.9%. Such increase primarily reflected the aforementioned enlarged customer base and contract scale of airline catering support services during the year ended 31 March 2016. Gross profit of airline catering support services segment decreased by approximately HK\$0.6 million from approximately HK\$2.8 million for the five months ended 31 August 2015 to approximately HK\$2.2 million for the five months ended 31 August 2016, mainly due to the general increase in base salary of operation workers in airline catering support services since August 2015. The gross profit margin of airline catering support services segment was approximately 17.8%, 18.0% and 15.5% for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The Directors consider that gross profit margin in this sector is relatively higher due to the fact that (i) airline catering support services are performed solely in airline catering premises which increased the difficulty in procuring manpower, hence the Group would charge a higher service rate as compared with that for environmental hygiene services and (ii) as airline catering support services has a different job nature, the costs of consumables were generally lower than that of environmental hygiene services when carrying out services.

### *Sensitivity analysis*

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in direct labour costs, manpower supplier charges and sub-contracting charges on gross profit and profit for the year for each period during the Track Record Period. The sensitivity analysis is performed for reasonably possible changes in assumptions regarding the direct labour cost, manpower supplier charges and sub-contracting charges of each year with all other assumptions held constant.

	Hypothetical fluctuation (Note)	Year ended 31 March 2015		Year ended 31 March 2016		Five months ended 31 August 2016	
		Increase/ (decrease) in gross profit for the year HK\$'000	Increase/ (decrease) in profit for the year HK\$'000	Increase/ (decrease) in gross profit for the year HK\$'000	Increase/ (decrease) in gross profit for the year HK\$'000	Increase/ (decrease) in gross profit for the period HK\$'000	Increase/ (decrease) in profit for the period HK\$'000
Direct labour costs	10%	(25,814)	(21,555)	(29,270)	(24,440)	(12,092)	(10,097)
	(10%)	25,814	21,555	29,270	24,440	12,092	10,097
Manpower supplier charges and sub-contracting charges	10%	(4,252)	(3,550)	(7,438)	(6,211)	(3,650)	(3,048)
	(10%)	4,252	3,550	7,438	6,211	3,650	3,048

*Note:* The increase or decrease in percentage of hypothetical fluctuation was based on the rate of increase in the average monthly wages of workers in Hong Kong during the Track Record Period.

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### *Breakeven analysis*

For the year ended 31 March 2015, it is estimated that (i) with a decrease in sales of approximately 3.9% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 4.6% and all other variables held constant, the Group would achieve breakeven.

For the year ended 31 March 2016, it is estimated that (i) with a decrease in sales of approximately 4.2% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 4.9% and all other variables held constant, the Group would achieve breakeven.

For the five months ended 31 August 2016, it is estimated that (i) with a decrease in turnover of approximately 2.8% and all other variables held constant, the Group would achieve breakeven; and (ii) with an increase in cost of services rendered of approximately 3.3% and all other variables held constant, the Group would achieve breakeven.

### **Other income and gains**

Other income primarily represented interest income, rental income, gain on disposal of property, plant and equipment, sales of scrap materials and others. The following table sets out the breakdown of the Group's other income during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interest income	19	—	—	—
Rental income	10	—	—	—
Gain on disposal of property, plant and equipment	480	258	302	—
Sales of scrap materials	804	578	214	248
Others	116	—	—	—
	<u>1,429</u>	<u>836</u>	<u>516</u>	<u>248</u>

### **General operating expenses**

General operating expenses mainly comprise salaries and staff benefits for the Directors and administrative staff, third party insurance and comprehensive insurance, depreciation, the Listing expenses, motor vehicle expenses, compensation for injury, provision for long service payment, bank charges, repairs and maintenance expenses and other expenses such as utilities and expenditures on computer equipment and printers.

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The following table sets out the breakdown of the Group's general operating expenses during the Track Record Period:

	Year ended 31 March				Five months ended 31 August			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs ( <i>Note</i> )	16,078	43.3	18,213	42.0	7,117	45.1	7,623	38.1
Insurance	5,120	13.8	5,464	12.6	2,195	13.9	2,335	11.7
Depreciation	3,294	8.9	3,450	7.9	1,459	9.2	1,431	7.1
Listing expenses	—	—	3,686	8.5	390	2.5	3,954	19.8
Motor vehicle expenses	2,463	6.6	2,332	5.4	980	6.2	950	4.7
Compensation for injury	1,415	3.8	1,443	3.3	538	3.4	409	2.0
Provision for long service payment	994	2.7	1,237	2.9	500	3.2	571	2.9
Bank charges	768	2.1	851	2.0	310	2.0	447	2.2
Repairs and maintenance	555	1.5	762	1.7	348	2.2	277	1.4
Others	6,461	17.3	5,956	13.7	1,947	12.3	2,017	10.1
	<u>37,148</u>	<u>100.0</u>	<u>43,394</u>	<u>100.0</u>	<u>15,784</u>	<u>100.0</u>	<u>20,014</u>	<u>100.0</u>

*Note:* Staff costs included salaries and allowance, directors' emoluments and retirement benefit plan contribution.

For each of the two years ended 31 March 2015 and 2016, general operating expenses represented approximately 10.1% and 9.6% of total revenue, respectively, which increased from approximately HK\$37.1 million for the year ended 31 March 2015 to approximately HK\$43.4 million for the year ended 31 March 2016, representing an increase of approximately HK\$6.2 million or 16.8%. Such increase was mainly due to (i) the incurred Listing expense of approximately HK\$3.7 million for the year ended 31 March 2016 which was non-recurring in nature and (ii) the increase in salaries and staff benefits for the Directors and administrative staff amounting to approximately HK\$2.1 million or 13.3%.

For the five months ended 31 August 2015 and 2016, general operating expenses represented approximately 8.7% and 10.5% of total revenue, respectively, which increased from approximately HK\$15.8 million to approximately HK\$20.0 million, representing an increase of approximately HK\$4.2 million or 26.8%. Such increase was mainly due to (i) the recognised Listing expense of approximately HK\$4.0 million for the five months ended 31 August 2016 while amount recognised for the corresponding period of prior year was approximately HK\$0.4 million and (ii) the increase in salaries and staff benefits for the Directors and administrative staff amounting to approximately HK\$0.5 million or 7.1%.

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### Finance costs

Finance costs primarily represented interest on bank borrowings and finance charges on obligation under finance leases. The following table sets out the breakdown of the Group's finance costs during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended</b>	
			<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interest on bank borrowings	2,393	2,332	976	1,072
Finance charges on obligation under finance leases	<u>106</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>2,499</u></u>	<u><u>2,332</u></u>	<u><u>976</u></u>	<u><u>1,072</u></u>

### Income tax expense

Income tax expense represented the current and deferred tax. Under the rules and regulations of the Cayman Islands and BVI, the Group are not subject to any income tax in the Cayman Islands and BVI. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for each of the Track Record Period.

	<b>Year ended 31 March</b>		<b>Five months ended</b>	
			<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Current tax — Hong Kong Profits Tax	2,940	4,701	1,983	1,996
Deferred taxation	<u>641</u>	<u>71</u>	<u>135</u>	<u>15</u>
Income tax expense	<u><u>3,581</u></u>	<u><u>4,772</u></u>	<u><u>2,118</u></u>	<u><u>2,011</u></u>

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Reconciliation between income tax expense and accounting profit at applicable tax rates:

	<b>Year ended</b>		<b>Five months ended</b>	
	<b>31 March</b>		<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Profit before income tax	<u>17,912</u>	<u>23,586</u>	<u>11,526</u>	<u>7,315</u>
Tax at the applicable tax rate of 16.5%	2,955	3,891	1,902	1,207
Tax effect of non-deductible expenses	74	807	147	747
Recognition of temporary differences previously not recognised	603	137	69	57
Tax effect of unused tax losses not recognised	3	—	—	—
Utilisation of tax loss previously not recognised	(14)	(3)	—	—
Tax concession	<u>(40)</u>	<u>(60)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>3,581</u>	<u>4,772</u>	<u>2,118</u>	<u>2,011</u>

The effective tax rate of the Group, calculated as income tax expenses divided by profit before income tax, for the two years ended 31 March 2016 and the five months ended 31 August 2016 was approximately 20.0%, 20.2% and 27.5% all of which were higher than the tax rate applicable to the jurisdiction of 16.5% primarily due to the recognition of temporary differences previously not recognised for 2015 and increase in non-deductible expenses such as Listing expenses for 2016.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. For further details, please refer to notes 4 and 23 of the Accountant's Report set out in Appendix I to this prospectus.

### COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 March 2016 compared to year ended 31 March 2015

##### *Revenue*

Revenue of the Group increased by approximately HK\$80.5 million or 21.8% from approximately HK\$369.2 million for the year ended 31 March 2015 to approximately HK\$449.8 million for the year ended 31 March 2016.

In terms of service segments, the growth in revenue was contributed by the increase in revenue from both the environmental hygiene services and airline catering support services segments. Revenue derived from environmental hygiene services increased by approximately HK\$70.7 million or 20.5% from approximately HK\$344.5 million for the year ended 31 March 2015 to approximately HK\$415.3

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million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in revenue from customers of office and commercial centres which recorded increase in revenue of approximately HK\$52.5 million or 79.2% i.e. for the year ended 31 March 2016, the Group was awarded five new commercial centre Tender Contracts by Customer A for the provision of environmental hygiene services, with revenue recognised in aggregate over approximately HK\$25.8 million during the year. Driven by the expanded customer base in airline catering support segment, i.e. a new customer whom the Group started airline catering support business with in early 2015 became one of the five largest customers and contributed to approximately 5.6% of total revenue for the year ended 31 March 2016, the revenue derived from airline catering support services increased by approximately HK\$9.8 million or 39.7% from approximately HK\$24.7 million for the year ended 31 March 2015 to approximately HK\$34.5 million for the year ended 31 March 2016.

In terms of type of contracts, during the year ended 31 March 2016, the Group obtained several new Tender Contracts of office and commercial centres which led to a increase in revenue derived from Tender Contracts amounting to approximately HK\$24.9 million for the year of 2016. In addition, benefited from increased number of customers under Quotations, the Group's revenue derived from Quotations increased by approximately HK\$55.6 million or 74.6%.

In terms of private and public sectors, revenue derived from private sectors increased from approximately HK\$234.0 million for the year ended 31 March 2015 to HK\$282.8 million for the year ended 31 March 2016, representing an increase of approximately HK\$48.8 million or 20.9%, mainly arising from the increase in revenue from a new major customer in private sectors the Group started business with in early 2015. Meanwhile, revenue derived from public sectors increased from approximately HK\$135.2 million for the year ended 31 March 2015 to HK\$167.0 million for the year ended 31 March 2016, representing an increase of approximately HK\$31.8 million or 23.5%, mainly arising from several new Tender Contracts of provision of environmental hygiene services obtained by the Group from a mass transit transportation operator during 2016.

### *Cost of services*

For each of the two years ended 31 March 2015 and 2016, cost of services amounted to approximately HK\$313.1 million and HK\$381.3 million, respectively, representing approximately 84.8% and 84.8% of revenue for such period.

Cost of services increased by approximately HK\$68.2 million or 21.8%, which was in line with the increase in revenue of approximately 21.8%, thus gross profit margin maintained at the same level of approximately 15.2% for each of the two years ended 31 March 2015 and 2016.

The Directors are of the view that direct labour costs are the main cost component of the services provided because the Group operates in a labour-intensive industry. Direct labour costs constituted approximately 82.4% and 76.8% of total cost of services for each of the two years ended 31 March 2015 and 2016, which increased from approximately HK\$258.1 million for the year ended 31 March 2015 to HK\$292.7 million for the year ended 31 March 2016, representing an increase of approximately HK\$34.6 million or 13.4%, mainly due to the increased staff number of operation team (including both environmental hygiene services and airline catering support services). Manpower supplier charges and sub-contracting charges in aggregate constituted approximately 13.6% and 19.5% of cost of services for each of the two years ended 31 March 2015 and 2016, which increased by approximately HK\$31.9 million or 74.9%, was mainly due to resources utilisation consideration to engage manpower suppliers and sub-contractors as aforementioned expanded revenue during the year of 2016.

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### *Gross profit and gross profit margin*

	Year ended 31 March					
	2015			2016		
	Gross profit <i>HK\$'000</i>	As % of total gross profit	Gross profit margin %	Gross profit <i>HK\$'000</i>	As % of total gross profit	Gross profit margin %
Environmental hygiene services	51,734	92.2	15.0	62,284	91.0	15.0
Airline catering support services	4,396	7.8	17.8	6,192	9.0	18.0
<b>Total</b>	56,130	100.0	15.2	68,476	100.0	15.2

Gross profit of the Group increased from approximately HK\$56.1 million for the year ended 31 March 2015 to HK\$68.5 million for the year ended 31 March 2016 which was in line with expanded revenue of the Group, and the Group maintained a gross profit margin of approximately 15.2% for both years. The Directors consider that (i) the Group's capability in accurate assessment of costs and the Group generally required a minimum gross profit margin in tendering process, (ii) most of the Group's revenue derived from Tender Contracts which have a service period of one to three years and (iii) the Group closely monitored the cost of operation team at different sites to avoid cost overrun secured a stable gross profit margin of the Group.

Gross profit of environmental hygiene services segment increased from approximately HK\$51.7 million for the year ended 31 March 2015 to approximately HK\$62.3 million for the year ended 31 March 2016, representing an increase of approximately HK\$10.6 million, or 20.4%. The gross profit margin of environmental hygiene services segment maintained at approximately 15.0% for both years. Meanwhile, gross profit of airline catering support services segment increased from approximately HK\$4.4 million for the year ended 31 March 2015 to approximately HK\$6.2 million for the year ended 31 March 2016, representing an increase of approximately HK\$1.8 million, or 40.9%. The gross profit margin of airline catering support services segment slightly increased from approximately 17.8% to 18.0% during the Track Record Period.

### *Other income and gains*

Other income and gains of the Group decreased by approximately HK\$0.6 million or 41.5% from approximately HK\$1.4 million for the year ended 31 March 2015 to approximately HK\$0.8 million for the year ended 31 March 2016. Such decrease was mainly attributable to the decrease in gain on disposal of property, plant and equipment and decreased sales of scrap materials.

### *General operating expenses*

For each of the two years ended 31 March 2015 and 2016, the general operating expenses represented approximately 10.1% and 9.6% of total revenue, respectively, which increased from approximately HK\$37.1 million for the year ended 31 March 2015 to approximately HK\$43.4 million

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for the year ended 31 March 2016, representing an increase of approximately HK\$6.2 million or 16.8%. Such increase was mainly due to (i) the incurred Listing expense of approximately HK\$3.7 million for the year ended 31 March 2016 which was non-recurring in nature and (ii) the increase in salaries and staff benefits for the Directors and administrative staff amounting to approximately HK\$2.1 million or 13.3%.

### *Finance costs*

Finance costs decreased slightly by approximately HK\$0.2 million or 6.7% from approximately HK\$2.5 million for the year ended 31 March 2015 to approximately HK\$2.3 million for the year ended 31 March 2016. The decrease was primarily due to that there was no finance charges on obligation under finance leases for the year ended 31 March 2016.

### *Profit before income tax*

The Group's profit before income tax increased from approximately HK\$17.9 million for the year ended 31 March 2015 to HK\$23.6 million for the year ended 31 March 2016, representing an increase of approximately HK\$5.7 million or 31.7%. The increase was primarily due to the aforementioned increase of gross profit as a result of increased revenue and partly offset by the increase of general operating expenses for the year ended 31 March 2016.

### *Income tax expense*

Income tax expenses increased by approximately HK\$1.2 million or 33.3% from approximately HK\$3.6 million for the year ended 31 March 2015 to approximately HK\$4.8 million for the year ended 31 March 2016. The increase primarily reflected the increase in profit before income tax from approximately HK\$17.9 million for the year ended 31 March 2015 to approximately HK\$23.6 million for the year ended 31 March 2016. Effective tax rate, calculated as income tax expenses divided by profit before income tax, for each of the two years ended 31 March 2015 and 2016 was approximately 20.0% and 20.2%, respectively, both of which were higher than the tax rate applicable to the jurisdiction of 16.5% primarily due to the recognition of temporary differences previously not recognised for 2015 and increase in non-deductible expenses such as the Listing expenses for 2016.

### *Profit for the year*

As a result of the foregoing, profit for the year of the Group increased by approximately HK\$4.5 million or 31.3% from approximately HK\$14.3 million for the year ended 31 March 2015 to approximately HK\$18.8 million for the year ended 31 March 2016.

Net profit margin also increased from approximately 3.9% for the year ended 31 March 2015 to 4.2% for the year ended 31 March 2016. The increase in profit for the year and net profit margin for the period was primarily attributable to the increase in revenue and gross profit during the period as discussed above. If the non-recurring Listing expenses were excluded, net profit margin would be further increased to approximately 5.0% for the year ended 31 March 2016.

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### Five months ended 31 August 2016 compared to five months ended 31 August 2015

#### *Revenue*

For the five months ended 31 August 2015 and 2016, revenue of the Group increased from approximately HK\$181.2 million to HK\$191.4 million, representing an increase of approximately HK\$10.2 million, or 5.6%.

In terms of service segments, the growth in revenue was mainly contributed by the increase in revenue from environmental hygiene services, which recorded increase of approximately HK\$9.9 million, or 5.9%. Such increase was mainly due to an increase in revenue from customers of office and commercial centres which recorded increase in revenue of approximately HK\$5.0 million or 10.2%. Revenue derived from airline catering support services segment remained stable at approximately HK\$14.1 million and HK\$14.4 million for the five months ended 31 August 2015 and 2016.

In terms of type of contracts, revenue derived from Tender Contracts increased slightly from approximately HK\$163.0 million for the five months ended 31 August 2015 to HK\$169.6 million for the five months ended 31 August 2016, representing an increase of approximately HK\$6.6 million or 4.0%. In addition, revenue derived from Quotations increased from approximately HK\$18.2 million for the five months ended 31 August 2015 to HK\$21.8 million for the five months ended 31 August 2016, representing an increase of approximately HK\$3.6 million or 19.7%.

In terms of private and public sectors, the Group recorded revenue derived from public sectors of approximately HK\$116.5 million and HK\$118.9 million, for the five months ended 31 August 2015 and 2016, and the revenue derived from public sectors was approximately HK\$64.7 million and HK\$72.5 million for the corresponding period.

#### *Cost of services*

For the five months ended 31 August 2015 and 2016, cost of services amounted to approximately HK\$153.5 million and HK\$163.2 million, respectively, representing approximately 84.7% and 85.3% of revenue for such period.

Direct labour costs constituted approximately 78.6% and 74.1% of total cost of services for the five months ended 31 August 2015 and 2016, which increased slightly from approximately HK\$120.6 million to HK\$120.9 million, representing an increase of approximately HK\$0.3 million or 0.3%. Manpower supplier charges and sub-contracting charges in aggregate constituted approximately 17.5% and 22.4% of cost of services for the five months ended 31 August 2015 and 2016, which increased by approximately HK\$9.5 million or 35.3%, was mainly due to resources utilisation consideration to engage manpower suppliers and sub-contractors along with expanded revenue during such period.

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### *Gross profit and gross profit margin*

	Five months ended 31 August					
	2015			2016		
	Gross profit HK\$'000 (unaudited)	As % of total gross profit	Gross profit margin	Gross profit HK\$'000	As % of total gross profit	Gross profit margin
Environmental						
hygiene services	24,953	89.9	14.9	25,927	92.1	14.7
Airline catering						
support services	2,817	10.1	20.0	2,226	7.9	15.5
<b>Total</b>	27,770	100.0	15.3	28,153	100.0	14.7

Gross profit of the Group increased slightly from approximately HK\$27.8 million for the five months ended 31 August 2015 to HK\$28.2 million for five months ended 31 August 2016 which was in line with increased revenue of the Group. While gross profit margin of the Group decreased from approximately 15.3% for the five months ended 31 August 2015 to 14.7% for the five months ended 31 August 2016, which was mainly attributable to the decrease in gross profit margin of airline catering support services segment from approximately 20.0% to 15.5% for such period. The decrease in gross profit margin of airline catering support services was mainly due to the general increase in base salary of operation workers in airline catering support services since August 2015. The Group recorded slight decrease in gross profit margin from approximately 14.9% to 14.7% in environmental hygiene services segment for the five months ended 31 August 2015 and 2016 mainly due to increased sub-contracting charges.

### *Other income and gains*

Other income and gains of the Group decreased by approximately HK\$268,000 or 51.9% from approximately HK\$516,000 for the five months ended 31 August 2015 to approximately HK\$248,000 for five months ended 31 August 2016. Such decrease was mainly attributable to the Group's gain on disposal of property, plant and equipment of approximately HK\$302,000 in the five months ended 31 August 2015 while no such gain noted for the five months ended 31 August 2016.

### *General operating expenses*

For the five months ended 31 August 2015 and 2016, the general operating expenses represented approximately 8.7% and 10.5% of total revenue, respectively, which increased from approximately HK\$15.8 million to HK\$20.0 million, representing an increase of approximately HK\$4.2 million or 26.8%. Such increase was mainly due to (i) the recognised Listing expense of approximately HK\$4.0 million for the five months ended 31 August 2016 while amount recognised for the corresponding period of prior year was approximately HK\$0.4 million; and (ii) the increase in salaries and staff benefits for the Directors and administrative staff amounting to approximately HK\$0.5 million or 7.1%.

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### *Finance costs*

Finance costs increased slightly by approximately HK\$0.1 million or 9.8% from approximately HK\$1.0 million for the five months ended 31 August 2015 to HK\$1.1 million for the five months ended 31 August 2016. The increase was primarily due to the increased bank borrowings during such period.

### *Profit before income tax*

The Group's profit before income tax decreased from approximately HK\$11.5 million for the five months ended 31 August 2015 to HK\$7.3 million for the five months ended 31 August 2016, representing a decrease of approximately HK\$4.2 million or 36.5%. The decrease was primarily due to the aforementioned increase in Listing expenses of approximately HK\$3.6 million.

### *Income tax expense*

Income tax expenses increased slightly from approximately HK\$2.1 million for the five months ended 31 August 2015 to approximately HK\$2.0 million for the five months ended 31 August 2016. Effective tax rate for the five months ended 31 August 2015 and 2016 was approximately 18.4% and 27.5%, respectively, both of which were higher than the tax rate applicable to the jurisdiction of 16.5% primarily due to the increased tax effect of non-deductible expenses such as the Listing expenses for 2016.

### *Profit for the period*

As a result of the foregoing, profit for the period of the Group decreased by approximately HK\$4.1 million from approximately HK\$9.4 million for the five months ended 31 August 2015 to approximately HK\$5.3 million for the five months ended 31 August 2016. Net profit margin of the Group was approximately 5.2% and 2.8% for the five months ended 31 August 2015 and 2016. If the Listing expenses were excluded, the net profit margin would be approximately 5.4% and 4.8% accordingly.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks and related parties. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

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### CASH FLOWS

The following table sets forth selected cash flows data from the Group's combined statements of cash flows for the years/periods indicated:

	<b>Year ended</b>		<b>Five months ended</b>	
	<b>31 March</b>		<b>31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Net cash generated from operating activities	13,402	19,432	8,383	3,622
Net cash used in investing activities	(2,874)	(2,116)	(1,380)	(887)
Net cash used in financing activities	<u>(21,270)</u>	<u>(12,392)</u>	<u>(13,056)</u>	<u>(4,799)</u>
Net (decrease)/increase in cash and cash equivalents	(10,742)	4,924	(6,053)	(2,064)
Cash and cash equivalent at beginning of the year/period	<u>28,228</u>	<u>17,486</u>	<u>17,486</u>	<u>22,410</u>
Cash and cash equivalent at the end of the year/period	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>
Analysis of the balance of cash and cash equivalents				
Cash and cash equivalents	20,041	22,410	11,433	20,346
Bank overdraft	<u>(2,555)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>

#### *Operating activities*

The Group derived cash flow from operating activities principally from rendering of a comprehensive range of environmental hygiene services and airline catering support services. The Group's cash outflow for operating activities is principally for the purchase of materials, sub-contracting costs and all other operating expenses such as payment of Listing expenses, staff costs and insurance expenses.

For the year ended 31 March 2015, the Group's operating profit before working capital changes was approximately HK\$23.5 million, consisting of profit before income tax expense of approximately HK\$17.9 million, adjusted by mainly (i) depreciation of approximately HK\$3.3 million; and (ii) interest expenses of approximately HK\$2.5 million, netting off mainly by gain on disposal of property, plant and equipment of approximately HK\$0.5 million. Negative working capital changes of approximately HK\$3.9 million was mainly due to (i) the increase in trade receivables of approximately HK\$7.4 million;

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(ii) increase in prepayments, deposits and other receivable of approximately HK\$0.3 million; (iii) increase in trade payables of approximately HK\$0.8 million; and partly offset by (i) decrease in accruals, deposits and other payables of approximately HK\$3.8 million; and (ii) increase in provision for long service payments of approximately HK\$0.8 million. Based on the foregoing, the Group's net cash generated from operating activities after the income tax and interest paid amounted to approximately HK\$13.4 million.

For the year ended 31 March 2016, the Group's operating profit before working capital changes was approximately HK\$29.2 million, consisting of profit before income tax expense of approximately HK\$23.6 million, adjusted by mainly (i) depreciation of approximately HK\$3.5 million; and (ii) interest expenses of approximately HK\$2.3 million, netting off mainly by gain on disposal of property, plant and equipment of approximately HK\$0.3 million. Negative working capital changes of approximately HK\$5.0 million was mainly due to (i) the increase in trade receivables of approximately HK\$9.2 million; (ii) increase in prepayments, deposits and other receivable of approximately HK\$0.6 million; and (iii) increase in accruals, deposits and other payables of approximately HK\$0.6 million; and partly offset by (i) decrease in trade payables of approximately HK\$4.2 million; and increase in provision for long service payments of approximately HK\$1.2 million. Based on the foregoing, the Group's net cash generated from operating activities after the income tax and interest paid amounted to approximately HK\$19.4 million.

For the five months ended 31 August 2016, the Group's operating profit before working capital changes was approximately HK\$9.8 million, consisting of profit before income tax expense of approximately HK\$7.3 million, adjusted by mainly (i) depreciation of approximately HK\$1.4 million; and (ii) interest expenses of approximately HK\$1.1 million. Negative working capital changes of approximately HK\$4.4 million was mainly due to (i) the increase in trade receivables of approximately HK\$6.8 million; (ii) decrease in trade payables of approximately HK\$0.3 million; and partly offset by (i) increase in prepayments, deposits and other payables of approximately HK\$0.8 million; (ii) increase in accruals, deposits and other payables of approximately HK\$1.4 million; and (iii) increase in provision for long service payments of approximately HK\$0.5 million. Based on the foregoing, the Group's net cash generated from operating activities after the income tax and interest paid amounted to approximately HK\$3.6 million.

### *Investing activities*

During the Track Record Period, the Group's cash outflow from investing activities primarily consisted of the purchases of property, plant and equipment and the Group's cash inflow from investing activities consisted primarily of proceeds from disposal of property, plant and equipment and bank interests received.

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK\$2.9 million primarily as a result of the purchases of property, plant and equipment of approximately HK\$3.6 million and partly offset by the proceeds from disposal of property, plant and equipment of approximately HK\$0.7 million.

For the year ended 31 March 2016, the Group recorded net cash used in investing activities of approximately HK\$2.1 million primarily as a result of the purchases of property, plant and equipment of approximately HK\$2.4 million and partly offset by the proceeds from disposal of property, plant and equipment of approximately HK\$0.3 million.

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For the five months ended 31 August 2016, the Group recorded net cash used in investing activities of approximately HK\$0.9 million as a result of the purchases of property, plant and equipment of approximately HK\$0.9 million.

### *Financing activities*

During the Track Record Period, the Group's cash outflow for financing activities consisted primarily of repayment of finance lease, repayment of bank borrowings, and repayment to a related party and the Group's cash inflow from financing activities consisted primarily of new bank borrowings.

For the year ended 31 March 2015, the Group recorded net cash used in financing activities of approximately HK\$21.3 million primarily as a result of (i) repayment of bank borrowings of approximately HK\$203.7 million, (ii) decrease in amount due to a related party of approximately HK\$26.6 million and offset by the new bank borrowings of approximately HK\$209.5 million.

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK\$12.4 million primarily as a result of repayment of bank borrowings of approximately HK\$249.0 million and offset by the new bank borrowings of approximately HK\$237.0 million.

For the five months ended 31 August 2016, the Group recorded net cash used in financing activities of approximately HK\$4.8 million primarily as a result of repayment of bank borrowings of approximately HK\$112.7 million and offset by the new bank borrowings of approximately HK\$107.9 million.

### **Working capital**

The Directors consider that the Group's future cash outflow for operating activities primarily consists of purchase of materials, sub-contracting costs and other operating expenses such as payment of Listing expenses, staff costs and insurance expenses. The expected source of funding include but are not limited to (i) cash flow derived from operating activities; (ii) external debt financing via utilising the Group's available banking facilities; and (iii) the net proceeds from Listing. During the Track Record Period, the Group met its working capital and other liquidity requirements principally from cash from operations, bank borrowings and funds from related parties and the latest details are as below:

- the net cash generated from operating activities of approximately HK\$13.4 million, HK\$19.4 million and HK\$3.6 million for the two years ended 31 March 2016 and the five months ended 31 August 2016;
- during the Track Record Period, the maximum net working capital cash outflow exposure of the Group was approximately HK\$3.9 million, HK\$5.0 million and HK\$4.4 million, respectively;
- the Group's cash and cash equivalents on hand of approximately HK\$17.5 million, HK\$22.4 million and HK\$20.3 million as at 31 March 2015 and 2016 and 31 August 2016, respectively;

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- the utilised banking facilities of approximately HK\$80.1 million, HK\$77.2 million and HK\$76.6 million and unutilised banking facilities of approximately HK\$48.4 million, HK\$50.7 million and HK\$47.0 million as at 31 March 2016, 31 August 2016 and 31 December 2016, respectively; and
- the estimated net proceeds from the Share Offer of approximately HK\$45.5 million to be received by the Group, assuming a Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative offer price range of HK\$0.40 to HK\$0.50 per Offer Share.

The Directors are of the opinion that, taking into consideration the Group's internal resources, available banking facilities and the estimated net proceeds from the Share Offer, the Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

### NET CURRENT (LIABILITIES)/ASSETS

	As at 31 March		As at 31 August	As at 31 December
	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current assets</b>				
Inventories	17	27	22	11
Trade receivables	64,909	74,014	80,816	83,672
Deposits, prepayments and other receivables	4,976	5,609	4,859	8,726
Tax recoverable	36	5	1	1
Cash and cash equivalents	<u>20,041</u>	<u>22,410</u>	<u>20,346</u>	<u>23,628</u>
	<u>89,979</u>	<u>102,065</u>	<u>106,044</u>	<u>116,038</u>
<b>Current liabilities</b>				
Trade payables	6,594	10,829	10,574	11,154
Accruals, deposits and other payables	34,000	33,372	34,740	36,474
Amount due to related parties	416	—	—	—
Bank borrowings	69,911	55,380	50,581	48,200
Tax payable	<u>180</u>	<u>2,445</u>	<u>3,704</u>	<u>5,536</u>
	<u>111,101</u>	<u>102,026</u>	<u>99,599</u>	<u>101,364</u>
<b>Net current (liabilities)/assets</b>	<u>(21,122)</u>	<u>39</u>	<u>6,445</u>	<u>14,674</u>

The Group recorded net current liabilities of approximately HK\$21.1 million as at 31 March 2015 and net current assets of approximately HK\$39,000 as at 31 March 2016. Net current liabilities of 2015 mainly comprised (i) accruals, deposits and other payables of approximately HK\$34.0 million mainly arising from accrued staff costs of approximately HK\$25.6 million; and (iii) bank borrowings of approximately HK\$69.9 million. As confirmed by the Directors, the net current liabilities of approximately HK\$21.1 million as at 31 March 2015 was mainly attributable to the distribution of

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dividend of approximately HK\$41.1 million to the then shareholders of the subsidiaries which was settled by off-setting against the then inter-company balance and thus resulted in a net current liabilities position as at 31 March 2015.

It is noted that the Group's net current liabilities position had been improving during the Track Record Period. The Group recorded net current assets of approximately HK\$39,000 as at 31 March 2016 and such improvement in the financial position was mainly brought by (i) the increased trade receivables of approximately HK\$9.1 million mainly attributable to the increase in revenue for 2016; (ii) decreased bank borrowings of approximately HK\$14.5 million as at 31 March 2016; and (iii) partly offset by an increase in trade payables of approximately HK\$4.2 million arising from the increase in purchases for 2016. As at 31 August 2016, the net current assets of the Group further increased to approximately HK\$6.4 million mainly attributable to: (i) the increase in trade receivables of approximately HK\$6.8 million; (ii) the decrease in bank borrowings of approximately HK\$4.8 million; and (iii) partly offset by the decrease in cash and cash equivalents of approximately HK\$2.1 million and increase in tax payables of approximately HK\$1.3 million.

As at 31 December 2016, being the indebtedness date, the Group further strengthened its financial position and recorded net current assets of approximately HK\$14.7 million. The Directors expect that the Group would continue to generate operating profit and that the Group's financial position would be further enhanced after Listing. The Directors confirmed that the Group had no defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

### DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Inventory

The following table sets out a summary of the Group's inventory balance as at the respective financial position dates below:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consumables, at cost	17	27	22

The following table sets out the Group's average inventory turnover days for the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Average Inventory turnover days ( <i>Note</i> )	0.01	0.02	0.02

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*Note:* Average inventory turnover days are calculated by dividing average inventory by sales, multiplying the resulting value by 365 days for each of the two years ended 31 March 2015 and 2016 and 153 days for the five months ended 31 August 2016.

Average inventory turnover days were approximately 0.01 days, 0.02 days and 0.02 days, respectively, for each of the Track Record Period and the fast turnover of the Group's inventories was mainly due to the nature of consumables.

The following table sets out the ageing analysis of inventory as at the dates indicated:

	As at 31 March		As at
	2015	2016	31 August 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	17	7	—
91 to 180 days	—	—	—
Over 180 days ( <i>Note</i> )	—	20	22
	<u>17</u>	<u>27</u>	<u>22</u>

*Note:* Inventories ageing over 180 days as at 31 March 2016 were mainly uniforms for carrying out environmental hygiene services.

As at 31 August 2016, all inventories were aged over 180 days. As at 31 December 2016, approximately 50.0% of the inventories as at 31 August 2016 had not yet been used or consumed subsequent to 31 August 2016.

### TRADE RECEIVABLES ANALYSIS

The following table sets out the balance of trade receivables during the Track Record Period:

	As at 31 March		As at
	2015	2016	31 August 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

The credit period granted to the Group's major customers in general ranges from 30 days to 75 days.

The Group does not hold any collateral over trade and other receivables. During the years ended 31 March 2015 and 2016 and five months ended 31 August 2016, the Group has written off trade receivables of nil, HK\$46,000 and nil in respect of the trade debts due from customers which are considered as uncollectable. Trade receivables of approximately HK\$10.2 million, HK\$7.6 million and HK\$7.8 million were subject to assignment and charge arrangement as at 31 March 2015 and 2016 and 31 August 2016 in which specific debtors are assigned to the bank to secure the bank loans of the Group

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and trade receivables of approximately HK\$23.7 million, HK\$14.4 million and HK\$16.9 million as at 31 March 2015 and 2016 and 31 August 2016 have been pledged to banks to secure the banking facilities of the Group.

The ageing analysis of trade receivables, based on invoice date, as of the end of each of the Track Record Period is as follows:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Within one month	33,324	38,887	38,860
One to three months	28,850	33,094	36,141
More than three months	<u>2,735</u>	<u>2,033</u>	<u>5,815</u>
	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires judgment and estimates. Impairment would be applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. Management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

The following table sets out the ageing analysis of trade receivables based on their respective due date as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Neither past due nor impaired	<u>33,328</u>	<u>39,290</u>	<u>39,409</u>
Past due but not impaired			
Less than one month past due	24,938	32,601	28,478
One to three months past due	5,685	1,497	9,407
More than three months past due	<u>958</u>	<u>626</u>	<u>3,522</u>
	<u>31,581</u>	<u>34,724</u>	<u>41,407</u>
	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

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Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. As at 31 March 2015 and 2016 and 31 August 2016, the amounts past due but not impaired of trade receivables were approximately HK\$31.6 million, HK\$34.7 million and HK\$41.4 million, respectively. Trade receivables that were past due but not impaired relate to a number of independent customers that have good track record of repayment with the Group. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

As at 31 December 2016, approximately HK\$77.4 million or 95.8% of trade receivables outstanding as at 31 August 2016 were settled.

The following table sets out the Group's trade receivables turnover days during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Average trade receivables turnover days ( <i>Note</i> )	<u>60.5</u>	<u>56.4</u>	<u>61.9</u>

*Note:* Average trade receivables turnover days are calculated by dividing average trade receivables by sales, multiplying the resulting value by 365 days for each of the two years ended 31 March 2015 and 2016 and 153 days for the five months ended 31 August 2016.

Average trade receivables turnover days were approximately 60.5, 56.4 days and 61.9 days, respectively, for the two years ended 31 March 2016 and the five months ended 31 August 2016, which were in line with the credit period granted to its customers.

### TRADE PAYABLES ANALYSIS

Trade payables are initially recognised at fair value and thereafter stated at amortised costs, using the effective interest method. The following table sets out the balance of trade payables during the Track Record Period:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>6,594</u>	<u>10,829</u>	<u>10,574</u>

Trade payables mainly related to the purchase of raw materials and subcontracting fees incurred from suppliers. The credit period granted by suppliers is normally 15 to 90 days.

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The following table sets out the ageing analysis of trade payables as of the end of each of the Track Record Period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
Within one month	6,508	10,536	10,282
One to three months	66	288	100
More than three months	20	5	192
	6,594	10,829	10,574

As at 31 December 2016, approximately HK\$10.3 million or 97.8% of trade payables outstanding as at 31 August 2016 were settled.

The following table sets out average trade payables turnover days for the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months</b>
	<b>2015</b>	<b>2016</b>	<b>ended 31</b>
			<b>August</b>
Average trade payables turnover days ( <i>Note</i> )	6.9	7.1	8.6

*Note:* Average trade payables turnover days are calculated by dividing average trade payables by sales, multiplying the resulting value by 365 days for each of the two years ended 31 March 2015 and 2016 and 153 days for the five months ended 31 August 2016.

Average trade payables turnover days were approximately 6.9 days, 7.1 days and 8.6 days, respectively, for the two years ended 31 March 2016 and the five months ended 31 August 2016. If the average trade payables turnover days were calculated by dividing average trade payables by purchases including sub-contracting charges during the year/period, the average trade payables turnover days would be approximately 46.4 days, 36.2 days and 39.0 days, respectively, for the two years ended 31 March 2016 and the five months ended 31 August 2016, which was within the range of the credit period granted by suppliers.

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### Deposits, prepayments and other receivables

The following table sets out deposits, prepayments and other receivables during the Track Record Period:

	As at 31 March		As at
	2015	2016	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Prepayments for purchase of consumables	110	21	109
Other prepayments	3,857	5,115	4,147
Deposits	542	263	322
Other receivables	<u>467</u>	<u>210</u>	<u>281</u>
	<u>4,976</u>	<u>5,609</u>	<u>4,859</u>

During the year ended 31 March 2015, the Group has written off other receivables of HK\$276,000 (2016: Nil) in respect of the receivables due from debtors which are considered as uncollectable. During the two years ended 31 March 2016, balance of deposits, prepayments and other receivables increased from approximately HK\$5.0 million to HK\$5.6 million, representing an increase of approximately HK\$0.6 million or 12.0%, mainly due to the increased other prepayments during the year of 2016 arising from the prepaid Listing expenses of approximately HK\$1.2 million while no such item for prior year.

As at 31 August 2016, balance of deposits, prepayments and other receivables decreased to approximately HK\$4.9 million, representing a decrease of approximately HK\$0.8 million or 13.4% as compared to that as at 31 March 2016, such decrease was mainly attributable to the decrease in other prepayments of approximately HK\$1.0 million.

### Accruals, deposits and other payables

The following table sets out accruals, deposits and other payables during the Track Record Period:

	As at 31 March		As at
	2015	2016	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Accrued staff costs	25,588	24,253	23,675
Other accrued expenses	6,129	7,993	9,767
Other payables ( <i>Note</i> )	1,928	859	806
Receipts in advance	<u>355</u>	<u>267</u>	<u>492</u>
	<u>34,000</u>	<u>33,372</u>	<u>34,740</u>

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*Note:* As at 31 March 2015 and 2016 and 31 August 2016, the Group incurred several ongoing claims related to its employees or third parties injuries, where the Group is defendant and the plaintiffs alleged that they suffered from injuries, thus provision of insurance deductibles of HK\$360,000, HK\$740,000 and HK\$710,000 for the year ended 31 March 2015 and 2016 and the five months ended 31 August 2016, respectively had been provided based on the insurance policy. For the costs and expenses which exceed the insurance deductibles, the Directors considered the excess amounts (if any) would be fully covered by the Group's insurance policies.

### Cash and cash equivalents

Bank balances and cash increased by approximately HK\$2.4 million from approximately HK\$20.0 million as at 31 March 2015 to approximately HK\$22.4 million as at 31 March 2016. The balance of cash and cash equivalents decreased to approximately HK\$20.3 million as at 31 August 2016.

### Provision for long service payments

The following table sets out the Group's provision for long service payments as at the respective financial position dates below:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>

Liabilities for employee benefit comprise:

Long service payments accrual, classified  
as non-current liabilities

	6,443	7,643	8,175
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Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

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### INDEBTEDNESS

The following table sets out the Group's interest-bearing borrowings and amounts due to related companies as at the respective financial position dates below:

	As at 31 March		As at 31 August	As at 31 December
	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
<b>Current portion:</b>				
Bank borrowings	69,911	55,380	50,581	48,200
Amount due to related parties	<u>416</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>70,327</u></u>	<u><u>55,380</u></u>	<u><u>50,581</u></u>	<u><u>48,200</u></u>

### Interest-bearing borrowings

The following table sets out details of bank borrowings as at the dates indicated:

	As at 31 March		As at 31 August	As at 31 December
	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Bank overdraft	2,555	—	—	—
Bank loans	<u>67,356</u>	<u>55,380</u>	<u>50,581</u>	<u>48,200</u>
	<u><u>69,911</u></u>	<u><u>55,380</u></u>	<u><u>50,581</u></u>	<u><u>48,200</u></u>

All of the Group's bank loans as at 31 March 2015 and 2016 and 31 August 2016 contained a repayable on demand clause and therefore the entire bank loan balances have been classified as current liabilities.

The current liabilities included bank loans of approximately HK\$12.5 million, HK\$23.2 million and HK\$20.1 million that were not scheduled to be repaid within one year as at 31 March 2015 and 2016 and 31 August 2016, respectively. They were classified as current liabilities as the related loan agreements contain a clause that provided the lenders with an unconditional right to demand repayment at any time at its own discretion.

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Taking into account the Group's financial position, the Directors considered it is unlikely that the banks will exercise its discretion to demand immediate repayment. The Directors considered that the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements. An analysis of the bank loans in accordance with the contractual repayment terms are summarised in the table below:

	<b>As at 31 March</b>		<b>As at</b>	<b>As at 31</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>	<b>December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Analysed based on scheduled repayment terms set out in the loan agreements, into:</b>				
Bank loans repayable				
Within one year or on demand	54,872	32,211	30,469	30,539
In the second year	1,315	7,350	7,365	7,376
In the third to fifth years, inclusive	4,156	10,266	7,812	5,850
Beyond five years	7,013	5,553	4,935	4,435
	67,356	55,380	50,581	48,200

Bank borrowings were denominated in Hong Kong dollars. As at 31 March 2015 and 2016 and 31 August 2016, the bank borrowings carried interest rate at floating rates ranged from 1.99% to 5.25%, 1.95% to 5.50% and 2.60% to 5.50% per annum, respectively.

The Group's bank borrowings during the Track Record Period were secured by (i) properties held by the Group and related parties; (ii) unlimited corporate guarantees executed by a related company; (iii) unlimited personal guarantees executed by directors, Madam Ng and Ms. Sze Tan Nei; (iv) assignment of rental proceeds of properties held by a related company, of which a director, Madam Ng has beneficial interests; (v) assignment and charge of trade receivables from assigned debtors of the Group, trade receivables of approximately HK\$10.2 million, HK\$7.6 million and HK\$7.8 million of the Group were subject to such assignment and charge as at 31 March 2015 and 2016 and 31 August 2016, respectively; and (vi) trade receivables of approximately HK\$23.7 million, HK\$14.4 million and HK\$16.9 million of the Group as at 31 March 2015 and 2016 and 31 August 2016, respectively. Such properties held by related parties, unlimited corporate guarantees executed by a related company, personal guarantees executed by directors, Madam Ng and Ms. Sze Tan Nei and assignment of rental proceeds of properties held by a related company will be fully released, discharged or replaced by the corporate guarantee or other securities provided by the Group upon Listing.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans. The Directors considered it is unlikely that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. At 31 March 2015 and 2016 and 31 August 2016, none of the covenants relating to drawn down facilities had been breached.

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### Amounts due to related parties

Amounts due to related parties were unsecured, interest-free and repayable on demand. All the amounts due to related parties have been fully settled during the year ended 31 March 2016.

### PROPERTY INTERESTS AND PROPERTY VALUATION

Peak Vision Appraisals Limited, an independent property valuer, has valued the Group's property interests as of 30 November 2016 and is of the opinion that the aggregate value of the property interests as of such date was approximately HK\$53.3 million. The full text of the letter and the valuation certificate issued by Peak Vision Appraisals Limited are set out in Appendix III to this prospectus.

The following table sets forth the reconciliation of the amount of the Group's property interest as reflected in the combined financial information as at 31 August 2016 as set out in Appendix I to this prospectus with the valuation of this property as at 30 November 2016 as set out in Appendix III to this prospectus:

	<i>HK\$'000</i>
Net book value of the property as at 31 August 2016:	
— Leasehold land and buildings	30,752
Less: Movements for the three months ended 30 November 2016	
— Depreciation	<u>(249)</u>
<b>Net book value of the property as at 30 November 2016</b>	30,503
Net valuation surplus	<u>22,807</u>
<b>Valuation as at 30 November 2016</b>	<u><u>53,310</u></u>

### CONTINGENT LIABILITIES

As at 31 August 2016, the Group did not have any significant contingent liabilities.

### DISTRIBUTABLE RESERVES

As at 31 August 2016, the Company did not have any distributable reserve available for distribution to Shareholders.

### RELATED PARTY TRANSACTIONS

Please refer to note 30 of the Accountant's Report set out in Appendix I to this prospectus.

The 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 the Group's results of operations over the Track Record Period or make the Group's historical results over the Track Record Period not reflective of the Group's expectations for the Group's future performance.

## FINANCIAL INFORMATION

### OFF-BALANCE SHEET TRANSACTIONS

The Group has not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

### KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of the Group during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Five months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August 2016</b>
Return on total assets <sup>(1)</sup>	11.2%	13.5%	3.7%
Return on equity <sup>(2)</sup>	144.1%	65.4%	15.6%
Interest coverage <sup>(3)</sup>	8.2 times	11.1 times	7.8 times
	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August 2016</b>
Current ratio <sup>(4)</sup>	0.8	1.0	1.1
Quick ratio <sup>(5)</sup>	0.8	1.0	1.1
Gearing ratio <sup>(6)</sup>	7.1	1.9	1.5

*Notes:*

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period;
2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period;
3. Interest coverage ratio is calculated based on profit before interest and tax for the year/period divided by interest expenses for the same year/period;
4. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period;
5. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the end of the year/period;
6. Gearing ratio is calculated based on total debts which include payable incurred not in the ordinary course of business, divided by total equity as at the end of the year/period.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

#### Return on total assets

The Group's return on total assets increased from approximately 11.2% for the year ended 31 March 2015 to approximately 13.5% for the year ended 31 March 2016, which was mainly driven by the increase in profit for the year as a result in increase of revenue and gross profit for both of the environmental hygiene services and airline catering support services and partly offset by increase in total assets.

For the five months ended 31 August 2016, the Group recorded return on total assets of approximately 3.7% primarily reflecting less profit recorded for such period and the Directors consider that the five months period financial results were not comparable to that of the full year.

#### Return on equity

The Group's return on equity decreased from approximately 144.1% for the year ended 31 March 2015 to approximately 65.4% for the year ended 31 March 2016, primarily due to the higher equity base as at 31 March 2016.

For the five months ended 31 August 2016, the Group recorded return on equity of approximately 15.6% primarily reflecting less profit recorded for such period as compared to a full year and the increased equity due to the profit making of such period. The Directors consider that the five months period financial results were not comparable to that of the full year.

#### Interest coverage ratio

The finance costs mainly comprised of interest on bank borrowings during the Track Record Period. Interest coverage ratio increased from approximately 8.2 times for the year ended 31 March 2015 to 11.1 times for the year ended 31 March 2016, primarily due to the increased profit before income tax and interest as a result of increased revenue and gross profit for the year ended 31 March 2016.

The Group recorded interest coverage ratio of approximately 7.8 times, which was lower than that of the two years ended 31 March 2015 and 2016, mainly due to the recognised Listing expenses of approximately HK\$4.0 million. If such amount was excluded, the interest coverage ratio would be approximately 11.5 times.

#### Current ratio and quick ratio

Inventories of the Group are consumables for provision of environmental hygiene services and airline catering support services, and the inventories balance was maintained at a low level as of total assets in view of its fast turnover and consumables in nature. Thus quick ratio of the Group was nearly the same as of current ratio for each of the two years ended 31 March 2015 and 2016, both of which increased from approximately 0.8 for the year ended 31 March 2015 to 1.0 for the year ended 31 March 2016, representing a change of net current liabilities position to net current asset position. Such improvement in the financial position was mainly brought by the increased trade receivables and cash and cash equivalents mainly attributable to the increase in revenue for 2016 and decreased bank borrowings as at 31 March 2016.

## FINANCIAL INFORMATION

The Group further improved its financial position as at 31 August 2016 and recorded current ratio and quick ratio of approximately 1.1 times and 1.1 times, respectively, mainly attributable to the increased trade receivables arising from increased revenue and decreased bank borrowings during such period.

### **Gearing ratio**

The Group recorded gearing ratio of approximately 7.1 times as at 31 March 2015 mainly due to the low equity balance as at the year-end date as a result of the distribution of dividend of approximately HK\$41.1 million to the shareholders of the subsidiaries. The Group recorded lower gearing ratio of approximately 1.9 times and 1.5 times as at 31 March 2016 and 31 August 2016 as compared to that as at 31 March 2015, mainly contributed to (i) increase in equity as the Group recorded net profit for the year ended 31 March 2016 and five months ended 31 August 2016 and no dividend was declared during such year/period; and (ii) balance of bank borrowings decreased from approximately HK\$69.9 million as at 31 March 2015 to HK\$55.4 million as at 31 March 2016, and further decreased to approximately HK\$50.6 million as at 31 August 2016.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

### **Capital expenditures**

The Group has incurred capital expenditure for the addition of property, plant and equipment, which mainly includes the purchase of equipment and machinery, amounting to approximately HK\$3.6 million, HK\$2.4 million and HK\$0.9 million for the two years ended 31 March 2016 and the five months ended 31 August 2016, respectively. The Group currently plans to use approximately HK\$1.8 million and HK\$4.4 million of the net proceeds from the Share Offer (based on the mid-point of the indicative range of the Offer Price) during each of the years ending 31 March 2017 and 31 March 2018, respectively, to primarily purchase equipment and machinery after Listing. The Directors believe that such capital expenditure budget will be sufficient for expected expenditure for the year ending 31 March 2017.

The Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations and the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of business plan, including but not limited to, potential acquisitions, the progress of capital projects, market conditions and the outlook of future business conditions. As the Group will continue to expand, additional capital expenditures may be incurred and the Group may consider raising additional funds as and when appropriate. The Group's ability in obtaining additional funding in the future is subject to a variety of uncertainties including but not limited to, further operation results, financial conditions and cash flows, economic, political and other conditions in Hong Kong.

## FINANCIAL INFORMATION

### OPERATING LEASE COMMITMENTS

#### The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable leases as follows:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
Within one year	88	88	308
Within two to fifth years	—	—	—
	<u>88</u>	<u>88</u>	<u>308</u>

Operating lease expenses represent rental payable by the Group for staff quarters. The leases are negotiated for a term for ranging from six months to one year over the Track Record Period and rental is fixed over the term.

### CAPITAL COMMITMENTS

The following table sets out capital commitments in respect of acquisition of plant and equipment as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
Contracted for but not provided for purchase of property, plant and equipment	<u>804</u>	<u>—</u>	<u>—</u>

The capital commitments described above primarily related to motor vehicles. The Group intend to fund these commitments with cash generated from operations and net proceeds from the Share Offer.

### CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

#### Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal returns to shareholders.

## FINANCIAL INFORMATION

For capital management purpose, the directors of the Group regard the total equity presented on the statement of financial position as capital.

The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of 31 March 2015 and 2016 and 31 August 2016 are as follows:

	<b>As at 31 March</b>		<b>As at 31 August</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to related parties	416	—	—
Bank borrowings	69,911	55,380	50,581
<b>Total debt</b>	<b>70,327</b>	<b>55,380</b>	<b>50,581</b>
<b>Total equity</b>	<b>9,942</b>	<b>28,756</b>	<b>34,060</b>
<b>Gearing ratio</b>	<b>7.07</b>	<b>1.92</b>	<b>1.49</b>

### **Financial risk management**

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and interest rate risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the executive directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows to minimise its exposure to financial risk.

It is not the Group's policy to actively engage in the trading of any financial instruments for speculative purposes. The management identifies ways to monitor the Group's financial risk exposure. Regular reports are provided to the executive directors.

#### **(i) Interest rate risk**

The Group's interest rate risk arises from variable rate bank balances and bank borrowings. The fair value interest rate risk related to the fixed rate obligation under finance leases. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

A reasonable change in interest rates in the next twelve months is assessed to result in insignificant changes in the Group's profit for the year and retained profits.

## FINANCIAL INFORMATION

### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 50 basis points higher/lower for variables rate bank borrowings, with all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 would decrease/increase by approximately HK\$292,000, HK\$231,000 and HK\$211,000, respectively.

No sensitivity analysis of bank balances of the Group is presented as all balances carry interest rate below 0.1%.

The sensitivity analysis included in the financial information for the years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 have been prepared on the same basis.

### *(ii) Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has concentration of credit risk with two customers from environmental hygiene services and airline catering support services with trade receivables of HK\$25,280,000, HK\$32,197,000 and HK\$37,996,000 as at 31 March 2015 and 2016 and 31 August 2016, respectively.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2015 and 2016 and 31 August 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position. In order to minimise the credit risk, the directors of the Company has closely monitored and reviewed the recoverability of the financial assets and the directors of the Company considers such risk is not significant.

The Group's management considers that all the Group's financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

### *(iii) Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management.

## FINANCIAL INFORMATION

The Group's policy is to regularly monitor its liquidity requirements and its compliance with bank covenants, to ensure that the Group maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 March 2015 and 2016 and 31 August 2016) and the earliest date the Group can be required to pay.

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>	<b>More than 1 year</b> <i>HK\$'000</i>
<b>31 March 2015</b>				
Trade payables	6,594	6,594	6,594	—
Accruals, deposits and other payables	34,000	34,000	34,000	—
Amounts due to related parties	416	416	416	—
Bank borrowings	<u>69,911</u>	<u>71,338</u>	<u>71,338</u>	<u>—</u>
	<u>110,921</u>	<u>112,348</u>	<u>112,348</u>	<u>—</u>

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>	<b>More than 1 year</b> <i>HK\$'000</i>
<b>31 March 2016</b>				
Trade payables	10,829	10,829	10,829	—
Accruals, deposits and other payables	33,372	33,372	33,372	—
Bank borrowings	<u>55,380</u>	<u>57,381</u>	<u>57,381</u>	<u>—</u>
	<u>99,581</u>	<u>101,582</u>	<u>101,582</u>	<u>—</u>

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>	<b>More than 1 year</b> <i>HK\$'000</i>
<b>31 August 2016</b>				
Trade payables	10,574	10,574	10,574	—
Accruals, deposits and other payables	34,740	34,740	34,740	—
Bank borrowings	<u>50,581</u>	<u>52,307</u>	<u>52,307</u>	<u>—</u>
	<u>95,895</u>	<u>97,621</u>	<u>97,621</u>	<u>—</u>

## FINANCIAL INFORMATION

Taking into account the Group's financial position, the Directors considered it is unlikely that the banks will exercise its discretion to demand immediate repayment. The Directors considered that the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted amount <i>HK\$'000</i>	Less than one year or on demand <i>HK\$'000</i>	More than one year but less than two years <i>HK\$'000</i>	More than two years but less than five years <i>HK\$'000</i>	More than five years <i>HK\$'000</i>
At 31 March 2015	<u>69,911</u>	<u>72,798</u>	<u>58,854</u>	<u>1,624</u>	<u>4,873</u>	<u>7,447</u>
At 31 March 2016	<u>55,380</u>	<u>58,581</u>	<u>33,321</u>	<u>7,785</u>	<u>11,161</u>	<u>6,314</u>
As at 31 August 2016	<u>50,581</u>	<u>53,528</u>	<u>31,634</u>	<u>7,802</u>	<u>8,482</u>	<u>5,610</u>

**(iv) Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at 31 March 2015 and 2016 and 31 August 2016 are as follows:

	As at 31 March		As at
	2015	2016	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>			
Loans and receivables:			
Trade receivables	64,909	74,014	80,816
Deposits and other receivables	1,009	473	603
Cash and cash equivalents	<u>20,041</u>	<u>22,410</u>	<u>20,346</u>
	<u>85,959</u>	<u>96,897</u>	<u>101,765</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised costs:			
Trade payables	6,594	10,829	10,574
Accruals, deposits and other payables	34,000	33,372	34,740
Amounts due to related parties	416	—	—
Bank borrowings	<u>69,911</u>	<u>55,380</u>	<u>50,581</u>
	<u>110,921</u>	<u>99,581</u>	<u>95,895</u>

## FINANCIAL INFORMATION

### (v) *Fair value risk*

The directors considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

### **DIVIDEND**

Prior to the reorganisation, interim dividends amounting to total approximately HK\$41.1 million have been declared and paid to the Shareholder of certain subsidiaries of the Company during the year ended 31 March 2015. Please refer to note 11 of Accountant's Report set out in Appendix I to this prospectus for details of the interim dividend declared by each of the subsidiaries of the Company for the year ended 31 March 2015.

The accumulated losses of the Group were HK\$10,985,000 as at 31 March 2015 was not due to the declaration and payment of interim dividends as mentioned above but mainly attributable to the reversal of accumulated fair value gain of approximately HK\$16,458,000. The leasehold land and buildings, which are held by Wealthy Strong, were held to earn rental income and were stated at fair value in the book of Wealthy Strong. As the Group used such leasehold land and building as head office, it was then stated at cost less accumulated depreciation and any impairment losses in combined statement of financial position of the Group. Such differences between the fair value and its cost less accumulated depreciation and any impairment losses was adjusted in the combined statements of financial position of the Group and hence resulted in the accumulated losses as at 31 March 2015.

Save as disclosed above, no final dividends have been declared by the Company or the subsidiaries now comprising the Group to their then equity owners during the Track Record Period nor has any dividend been proposed after 31 March 2016. Declaration of dividends is subject to the discretion of the Directors, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Law. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. Currently, the Company does not have any predetermined dividend payout ratio.

### **LISTING EXPENSES**

The estimated Listing expenses primarily consist of legal and professional fees in relation to the Listing. The Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.0 million (based on the mid-point of the indicative range of the Offer Price). Out of the total HK\$22.0 million in Listing expenses, the Group has incurred approximately HK\$3.7 million and HK\$4.0 million recognised as expenses in the consolidated statements of comprehensive income) for the year ended 31 March 2016 and the five months ended 31 August 2016, respectively. The Group expects to incur further Listing expenses of approximately HK\$5.6 million subject to completion of the Share Offer (based on the mid-point of the indicative range of the Offer Price), which will be recognised as expenses in the combined statements of comprehensive income subsequent to the Track Record Period and approximately HK\$8.7 million will be capitalised after the Listing. The Directors wish to inform Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 March 2017 will be significantly affected by the estimated expenses in relation to the Listing. Such Listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2017 and the amount to be deducted from the Group's capital is subject to change.

## FINANCIAL INFORMATION

### NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 August 2016 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 August 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Placing been completed on 31 August 2016 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 August 2016 is based on the audited combined net tangible assets of the Group as at 31 August 2016 as shown in the Accountant's Report set out in Appendix I to this prospectus and the adjustments described below.

	<b>Audited combined net tangible assets of the Group as at 31 August 2016</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted combined net tangible assets as at 31 August 2016</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group per Share</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on a minimum of HK\$0.40 per Offer Share	34,060	48,787	82,847	0.138
Based on a maximum of HK\$0.50 per Offer Share	34,060	62,737	96,797	0.161

## FINANCIAL INFORMATION

*Notes:*

- (1) The audited combined net tangible assets of the Group as at 31 August 2016 amounting to approximately HK\$34,060,000 is extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 150,000,000 Offer Shares and the Offer Price of HK\$0.40 per Offer Share (being the low-end of the indicative Offer Price range between HK\$0.40 to HK\$0.50 per Offer Share) and HK\$0.50 per Offer Share (being the high-end of the indicative Offer Price range between HK\$0.40 to HK\$0.50 per Offer Share), respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company which has not been reflected in combined net tangible assets of the Group as at 31 August 2016. The estimated net proceeds do not take into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 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 Company's general mandates.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on 600,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but does not take into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 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 Company's general mandates.

### SUBSEQUENT EVENTS

Subsequent to 31 August 2016 and up to the date of this prospectus, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 17 February 2017 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed "History, development and reorganisation" in the Prospectus.
- (b) On 21 February 2017, written resolutions were passed to effect the transactions as set out in the section headed "Statutory and general information — A. Further information about the company — 3. Written resolutions of the sole Shareholder passed on 21 February 2017" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
  - (i) On 21 February 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each.
  - (ii) The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted. Details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in section headed "Share Option Schemes" of Appendix IV to the Prospectus.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this prospectus for the Group’s business objectives and strategies.

### IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2019. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraphs under the sub-section headed “Bases and assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objectives of the Group will be accomplished at all. The Directors intend to carry out the following implementation plans.

#### From the Latest Practicable Date to 31 March 2017

Implementation plan	Use of proceeds <i>HK\$' million</i>	Details
Strengthen the Group’s available financial resources to finance cash flow mismatch under the Tender Contracts	12.5	<ul style="list-style-type: none"> <li>● Finance the payment of the salaries of the Group’s full time and part time staff to reduce the financial impact on the time lag between making payment of salaries to the Group’s employees and receiving payments from its customers</li> </ul>
Increase the market penetration by strengthen the promotion of the Group’s brand	1.1	<ul style="list-style-type: none"> <li>● Edit and print company brochure and marketing materials</li> <li>● Design and implement online platform to provide on-line communication channel for major customers</li> <li>● Upgrade training facilities and employ training officers to provide training to employees</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Implementation plan	Use of proceeds <i>HK\$ million</i>	Details
Strengthen the established position in the environmental services industry in Hong Kong	1.8	<ul style="list-style-type: none"> <li>● Employ 2 assistant general managers and one senior safety manager</li> <li>● Acquire additional equipment such as water wagons and cullet crusher</li> </ul>
Enhance the IT system to strengthen operational efficiency and service qualities	1.8	<ul style="list-style-type: none"> <li>● Upgrade the IT system by way of upgrading server and improvement of server location</li> <li>● Enhance daily operation by procuring cloud storage and cloud server services</li> <li>● Maintenance of IT systems and softwares</li> <li>● Addition of IT equipment at headquarters and worksites</li> </ul>
Working capital and general corporate use	4.5	<ul style="list-style-type: none"> <li>● Use of working capital for business growth and operation needs</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2017

Implementation plan	Use of proceeds <i>HK\$ million</i>	Details
Strengthen the Group's available financial resources to finance cash flow mismatch under the Tender Contracts	10.5	<ul style="list-style-type: none"> <li>● Finance the payment of the salaries of the Group's full time and part time staff to reduce the financial impact on the time lag between making payment of salaries to the Group's employees and receiving payments from its customers and the possible increase in the statutory minimum wage</li> </ul>
Increase the market penetration by strengthen the promotion of the Group's brand	0.4	<ul style="list-style-type: none"> <li>● Distribution of company brochure and marketing materials to target customers</li> <li>● Continue to maintain online platform to provide on-line communication channel for major customers</li> <li>● Participate in marketing events as well as activities held by environmental protection and health organisations</li> <li>● Social media management</li> </ul>
Strengthen the established position in the environmental services industry in Hong Kong	2.8	<ul style="list-style-type: none"> <li>● Employ 2 middle-ranking management staff</li> <li>● Upgrade marble polish machine and acquire additional equipment such as hook-lift truck, aerial platform vehicle and ride-on scrubber driers</li> </ul>
Enhance the IT system to strengthen operational efficiency and service qualities	1.8	<ul style="list-style-type: none"> <li>● Enhance daily operation by procuring cloud storage and server services</li> <li>● Maintenance of IT systems and softwares</li> <li>● Addition of IT equipment at headquarters and worksites</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

**For the six months ending 31 March 2018**

<b>Implementation plan</b>	<b>Use of proceeds</b> <i>HK\$' million</i>	<b>Details</b>
Increase the market penetration by strengthen the promotion of the Group's brand	0.6	<ul style="list-style-type: none"> <li>● Distribution of company brochure and marketing materials to target customers</li>   <li>● Continue to maintain online platform to provide on-line communication channel for major customers</li>   <li>● Participate in marketing events as well as activities held by environmental protection and health organisations</li>   <li>● Social media management</li> </ul>
Strengthen the established position in the environmental services industry in Hong Kong	1.6	<ul style="list-style-type: none"> <li>● Acquire additional equipment such as garbage compressor vehicle and escalator cleaners</li> </ul>
Enhance the IT system to strengthen operational efficiency and service qualities	2.0	<ul style="list-style-type: none"> <li>● Enhance daily operation by procuring cloud storage and server services</li>   <li>● Maintenance of IT system and software</li>   <li>● Addition of IT equipment at headquarters and worksites</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

**For the six months ending 30 September 2018**

<b>Implementation plan</b>	<b>Use of proceeds</b> <i>HK\$ million</i>	<b>Details</b>
Increase the market penetration by strengthen the promotion of the Group's brand	0.4	<ul style="list-style-type: none"> <li>● Distribution of company brochure and marketing materials to target customers</li>   <li>● Continue to maintain online platform to provide on-line communication channel for major customers</li>   <li>● Social media management</li>   <li>● Upgrade training facilities</li> </ul>
Strengthen the established position in the environmental services industry in Hong Kong	1.4	<ul style="list-style-type: none"> <li>● Acquire additional equipment such as cleaning carts and garbage compressor vehicle</li> </ul>
Enhance the IT system to strengthen operational efficiency and service qualities	1.9	<ul style="list-style-type: none"> <li>● Enhance daily operation by procuring cloud storage and server services</li>   <li>● Maintenance of IT systems and softwares</li>   <li>● Addition of IT equipment at headquarters and worksites</li> </ul>

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

**For the six months ending 31 March 2019**

<b>Implementation plan</b>	<b>Use of proceeds</b> <i>HK\$' million</i>	<b>Details</b>
Increase the market penetration by strengthen the promotion of the Group's brand	0.2	<ul style="list-style-type: none"> <li>● Distribution of company brochure and marketing materials to target customers</li> <li>● Continue to maintain online platform to provide on-line communication channel for major customers</li> <li>● Social media management</li> </ul>
Strengthen the established position in the environmental services industry in Hong Kong	0.2	<ul style="list-style-type: none"> <li>● Employ additional equipment such as cleaning carts</li> </ul>

### **BASES AND ASSUMPTIONS**

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2019.

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of the Group carries on or will carry on business and provides or will provide environmental hygiene and airline catering support related services;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (c) the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" to this prospectus;
- (d) the Group is able to retain its customers and suppliers;
- (e) the Group will be able to retain key staff in the management and the main operational departments;
- (f) the Group will not be materially affected by any risk factors set out in the section headed "Risk factors" in this prospectus; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance its corporate profile and brand image and the net proceeds from the Share Offer will strengthen its financial position and will enable the Group to implement its business plans set out in the paragraphs headed “Implementation plans” in this section. Furthermore, a public listing status on the Stock Exchange will offer us access to capital market for corporate finance exercise to assist in future business development, enhance its corporate profile and strengthen its competitiveness. During the Track Record Period, the Group utilised the banking facilities, internal resources and/or amount due to related parties to finance its business activities. The Group believes that the Listing would broaden not only its equity financing alternatives but also enable the Group to seek bank financing at more favourable terms given its Listing status. Please refer to the section headed “Business — Reasons for and benefits of the Listing on GEM” in this prospectus for further details.

The net proceeds from the Share Offer, after deducting the related expenses, are estimated to be approximately HK\$45.5 million (based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range). The Directors presently intend that the net proceeds will be applied as follows:

- approximately 50.6% of the net proceeds, or approximately HK\$23.0 million, for strengthening the Group’s available financial resources to finance cash flow mismatch under the Tender Contracts;
- approximately 5.9% of the net proceeds, or approximately HK\$2.7 million, for increasing the market penetration by strengthen the promotion of the Group’s brand;
- approximately 17.1% of the net proceeds, or approximately HK\$7.8 million, for strengthening the established position in the environmental services industry in Hong Kong;
- approximately 16.5% of the net proceeds, or approximately HK\$7.5 million, for enhancing the information technology system to strengthen operational efficiency and service qualities; and
- approximately 9.9% of the net proceeds, or approximately HK\$4.5 million, for the use as general working capital of the Group.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In summary, the implementation of the Group's business objectives and strategies from the Latest Practicable Date to 31 March 2019 will be funded by the net proceeds from the Share Offer as follows (based on a Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range):

	From the Latest Practicable Date to 31 March 2017	30 September 2017	For the six months ending			Total
	<i>HK\$'million</i>	<i>HK\$'million</i>	31 March 2018	30 September 2018	31 March 2019	<i>HK\$'million</i>
Strengthen the Group's available financial resources to finance cash flow mismatch under the Tender Contracts	12.5	10.5	—	—	—	23.0
Increase the market penetration by strengthen the promotion of the Group's brand	1.1	0.4	0.6	0.4	0.2	2.7
Strengthen the established position in the environmental services industry in Hong Kong	1.8	2.8	1.6	1.4	0.2	7.8
Enhance the information technology system to strengthen operational efficiency and service qualities	1.8	1.8	2.0	1.9	—	7.5
Working capital and general corporate use	4.5	—	—	—	—	4.5

The Directors consider that the net proceeds from the Share Offer will be sufficient to finance the Group's business plans up to the year ending 31 March 2019.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase of approximately HK\$7.0 million, after deducting related expenses. In such event, the net proceeds will be used in the same proportions as disclosed above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$7.0 million, after deducting related expenses. In such event, the Group intends to reduce such HK\$7.0 million on one of the Group's business strategies, namely strengthen the Group's available financial resources to finance cash flow mismatch under the Tender Contracts. As a result, the total proceeds to be applied on that strategy will be approximately HK\$16.0 million and the Group then intends to apply approximately HK\$9.0 million from the Latest Practicable Date to 31 March 2017 and approximately HK\$7.0 million for the six months ending 30 September 2017, respectively.

## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

Should the Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of the Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, the Group will issue an announcement in accordance with the GEM Listing Rules.

## UNDERWRITING

### **PUBLIC OFFER UNDERWRITERS**

Astrum Capital Management Limited

Ping An Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

##### *Grounds for termination*

The Sponsor and the Joint Bookrunners (for themselves and on behalf of all the Public Offer Underwriters) shall have the absolute right upon giving a written notice to the Company to terminate the Public Offer Underwriting Agreement if any of the following events occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Thursday, 16 March 2017):

- (A) if it has come to the notice of the Sponsor and the Joint Bookrunners:
  - (i) any matter or event showing any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of such representations, warranties and undertakings or any other provision of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Sponsor, the Joint Bookrunners and the Public Offer Underwriters which, in any such cases, is considered, in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer; or

## UNDERWRITING

- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in the context of the Public Offer; or
  - (iii) any statement contained in this prospectus considered to be material by the Joint Bookrunners in their absolute opinion which is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to be material; or
  - (iv) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Company, the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreements; or
  - (v) any breach by any party to the Public Offer Underwriting Agreement other than the Sponsor, the Joint Bookrunners and the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which is considered in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to be material; or
  - (vi) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of the Group as a whole the effect of which is, in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer; or
  - (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
  - (viii) any person (other than the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus; or
- (B) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer 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:
- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the Cayman Islands, the BVI, the PRC or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”); or
  - (ii) any change (whether or not permanent) in local, national or international stock market conditions; or

## UNDERWRITING

- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or other major stock exchanges in the United States, the United Kingdom or the PRC due to exceptional financial circumstances or otherwise; or
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or
- (v) any change or development or event involving a prospective change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any of the Relevant Jurisdictions; or
- (vii) a general moratorium on commercial banking business activities in any of the Relevant Jurisdictions declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group, the executive Directors and/or the Controlling Shareholders; or
- (x) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or
- (xi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (xii) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by or to any of the Relevant Jurisdictions; or
- (xiii) a petition is presented for the winding up or liquidation of any member of the Group, or any member of the Group make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

## UNDERWRITING

- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which such member of the Group is liable prior to its stated maturity, or any loss or damage sustained any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any action, against any Director; or
- (xvi) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xvii) the chairman or chief executive officer of the Company vacating his office; or
- (xviii) any prohibition on the Company for whatever reason from allotting the Offer Shares pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus; or
- (xix) other than with the approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or the requirement to issue by the Company of any supplement or amendment to this prospectus (or to any documents used in connection with the Share Offer) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xx) any event which gives rise or would give rise to any liability on the part of the Company and/or the Controlling Shareholders pursuant to the indemnity provisions contained in the Public Offer Underwriting Agreement; or
- (xxi) a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by the Company under the Public Offer Underwriting Agreement, which, individually or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):
  - (a) is or will or is likely to be materially adverse to the business, financial condition or prospects of the Company and/or the Group taken as a whole; or
  - (b) has or will have or is likely to have a material adverse effect on the success of the Share Offer; or
  - (c) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Share Offer.

# UNDERWRITING

## UNDERTAKINGS

### Undertakings pursuant to the Public Offer Underwriting Agreement

#### *Undertakings by the Controlling Shareholders*

Each of the Controlling Shareholders has undertaken to each of the Stock Exchange and the Company that, except as permitted under the GEM Listing Rules and pursuant to the Public Offer, the Capitalisation Issue or the exercise of any options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme, he/she/it shall not and shall procure that the relevant registered shareholder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not during the period of six months after the Listing Date (the “First Six-Month Period”), without the prior written consent the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (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 or she is shown in the 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 the Controlling Shareholders also jointly and severally undertakes to each of the Company, the Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), in the six month period commencing from the expiry of the First Six-Month Period (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/her/it or any of his/her/its associates or companies controlled by him/her/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/she/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.

## UNDERWRITING

Each of the Controlling Shareholders has also undertaken to each of the Company, the Sponsor and the Joint Bookrunners for themselves and on behalf of the Public Offer Underwriters that, within the 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any securities or interests in the securities of the Company beneficially owned by him/she/it directly or indirectly, immediately inform the Company, the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer 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/she/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 the Company will be sold, transferred or disposed of, immediately inform the Company, the Sponsor, and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in writing of such indications and the number of securities and nature of interests affected.

The 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 the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

### *Undertakings by the Company*

The Company has undertaken to the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that, save with the prior written consent of the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) or save for Shares issued pursuant to the Share Offer, the Capitalisation Issue or the exercise of any options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme, and in compliance with the GEM Listing Rules and the applicable laws, the Company or any of its subsidiaries will not:

- (a) allot or issue or agree to allot or issue any shares or any other securities in the Company or any of its subsidiaries or grant or agree to grant any option, warrant or other right carrying the right to subscribe for, or otherwise convert into, or exchange for, any shares or any other securities of the Company or any of its subsidiaries during the First Six-Month Period;
- (b) issue any share or securities in the Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or securities in the Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities during the Second Six-Month Period so as to result in each of the Controlling Shareholders ceasing to be a Controlling Shareholder or the Company ceasing to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 17.27(2) of the GEM Listing Rules) of the Group;
- (c) during the First 6-Month Period purchase any Shares or any other securities of the Company; and

## UNDERWRITING

- (d) offer to or agree to do any of the foregoing or announce any intention to do so, other than the Shares which may fall to be issued pursuant to the grant or the exercise of any options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any consolidation, subdivision or capital reduction of the Shares or by way of scrip dividend schemes or other similar schemes in accordance with the Articles of Association and the GEM Listing Rules or otherwise approved by the Stock Exchange.

### **Undertakings pursuant to the GEM Listing Rules**

#### *Undertakings by the Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Company and to the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules and pursuant to the Share Offer, it/he/she shall not and shall procure that the relevant registered holder(s), its/his/her associates, companies controlled by it/him/her or its/his/her nominees or trustees holding the Shares in trust for it/him/her (as the case may be) shall not:

- (a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner; or
- (b) at any time during the six months commencing on the date on which the period referred to in (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a group of Controlling Shareholder (as defined under the GEM Listing Rules).

Each of our Controlling Shareholders has also undertaken to and covenanted with the Company and the Stock Exchange that:

- (a) in the event that it/he/she pledges or charges any of its/his direct or indirect interest in the Shares or other securities of the Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders in the Company is made in this prospectus and ending on the 12 months after the Listing Date, he/she/it must inform the Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares or other securities of the Company under sub-paragraph (a) above, it/he/she must inform the Company immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of the Company affected.

## UNDERWRITING

The Company will also inform the Stock Exchange as soon as the Company has been informed of the above matters (if any) by any of the Controlling Shareholders and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of GEM Listing Rules.

### *Undertakings by the Company*

The Company has undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for any of the circumstances provided under Rules 17.29(1) to (5) of the GEM Listing Rules.

### **Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, the Controlling Shareholders, executive Directors and the Company expect to enter into the Placing Underwriting Agreement with the Joint Bookrunners and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 135,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

It is expected that pursuant to the Placing Underwriting Agreement, (i) the Company and (ii) each of the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed “Underwriting arrangements and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of the Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by him/her/it in the Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed “Underwriting arrangements and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

## UNDERWRITING

### **Commission and expenses**

The Underwriters will receive a commission of 7% on the aggregate Offer Price of all the Offer Shares, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. On the basis of the midpoint of the Offer Price range of HK\$0.45 per Offer Share (being the mid-point of the indicative Offer Price range), the underwriting commission will be approximately HK\$4.7 million. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK\$22.0 million, which will be borne by the Company.

### **Underwriters' interests in the Company**

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of the Group.

### **Compliance Adviser's agreement**

Under a compliance adviser's agreement made between Messis Capital and the Company (the "**Compliance Adviser's Agreement**"), the Company appoints Messis Capital and Messis Capital agrees to act as the compliance adviser to the Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

### **Sponsor's interest in the Company**

Messis Capital, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Listing, its obligations under the Underwriting Agreements and the Compliance Adviser's Agreement, neither Messis Capital nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Messis Capital who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Messis Capital has a directorship in the Company or any other company in the Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 15,000,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed “The Public Offer” in this section; and
- the Placing of 135,000,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraphs headed “Pricing and Allocation” in this section.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share, unless otherwise announced. 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.

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.50 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,525.20 for one board lot of 5,000 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\$0.50 per Public 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.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### **Determining the Offer Price**

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Friday, 3 March 2017.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the 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, 8 March 2017 and in any event, no later than 12:00 noon on Tuesday, 14 March 2017.

**If, for any reason, the Company and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 14 March 2017, the Share Offer will not proceed and will lapse.**

### **Reduction in indicative Offer Price range**

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, based on the book-building process and with the prior consent of the Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange and the Company a notice of reduction of the Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in the Prospectus which may change as a result of any such reduction.

**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.**

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### **Allocation**

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners 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 Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 15 March 2017 on the Stock Exchange's website and on the Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms will be made available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares — 8. Publication of results" in this prospectus.

### **CONDITIONS OF THE PUBLIC OFFER**

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, any Shares which may fall to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Schemes);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer 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 Public Offer and the 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 Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on the Company's website on the next day following such lapse.

**Share certificates for the Offer Shares are expected to be issued on Wednesday, 15 March 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, 16 March 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination" in this prospectus has not been exercised.**

### THE PUBLIC OFFER

#### Number of Shares initially offered

The Company is initially offering 15,000,000 Public Offer Shares at the Offer Price, representing 10% of the 150,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of the Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Public Offer" in this section.

#### Allocation

The Public Offer is open for subscription to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

### **Reallocation**

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer 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 Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 45,000,000 Shares, 60,000,000 Shares and 75,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deems appropriate.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deems appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **Applications**

The Joint Bookrunners (for themselves on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer 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 Offer Shares under the Placing, 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 Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

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

### **THE PLACING**

#### **Number of Offer Shares initially offered**

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 135,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme. The Placing is subject to the Public Offer being unconditional.

#### **Allocation**

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in paragraphs headed "Pricing and allocation" in this section and 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 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 the Company and the Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

#### **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 the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

#### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 March 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 March 2017. The Shares will be traded in board lots of 5,000 Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;

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.

The Company, the Joint Bookrunners, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including the provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Public Offer;
- an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form 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 Tuesday, 28 February 2017 until 12:00 noon on Friday, 3 March 2017 from:

- (i) the following address of the Public Offer Underwriters:

Ping An Securities Limited at Unit 02, 2/F, China Merchants Building, 152–155 Connaught Road Central, Hong Kong; or

Astrum Capital Management Limited at Room 2704, Tower 1 Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong; or

- (ii) the following branches of the receiving bank, DBS Bank (Hong Kong) Limited:

District	Branch Name	Address
<b>Hong Kong Island</b>	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
	Happy Valley Branch	G/F, 18A–22 King Kwong Street, Happy Valley, Hong Kong
<b>Kowloon</b>	Yaumatei Branch	G/F & 1/F, 131–137 Woosung Street, Yaumatei
<b>New Territories</b>	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 February 2017 until 12:00 noon on Friday, 3 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 PUBLIC OFFER SHARES

### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Winson 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:

<b>Tuesday, 28 February 2017</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 1 March 2017</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 2 March 2017</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 3 March 2017</b>	<b>—</b>	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 March 2017, the last application day or such later time described in the paragraphs under "7. Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;
- (vi) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, and the Joint Bookrunners, 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 Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the paragraphs under "Personal collection" in this section to collect Share certificate and/or refund cheque;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for further information.

### **5. HOW MANY APPLICATIONS CAN YOU MAKE**

Multiple applications for Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form is made for your benefit. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 6. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application in respect of more than 5,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, 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).

Further information on the Offer Price is set forth in the section headed “Structure and conditions of the Share Offer — Pricing and allocation” in this prospectus.

### 7. 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 Friday, 3 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 Friday, 3 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.

### 8. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 15 March 2017 on the Company’s website ([www.winsongroup.hk](http://www.winsongroup.hk)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website ([www.winsongroup.hk](http://www.winsongroup.hk)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) by no later than 8:00 a.m. on Wednesday, 15 March 2017;
- from the designated results of allocations website ([www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result)) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 March 2017 to 12:00 midnight on Tuesday, 21 March 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 March 2017 to Monday, 20 March 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 March 2017 and Friday, 17 March 2017 at designated branches of the receiving bank.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Conditions of the Public Offer are set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

#### **(i) If your application is revoked:**

By completing and submitting an Application Form, 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 the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

## HOW TO APPLY FOR PUBLIC 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.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Department 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 Department notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Public Offer Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 15,000,000 Public Offer Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 10. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.50 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 March 2017.

### 11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, 15 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).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Thursday, 16 March 2017 provided that the Public Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### (i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque and/or Share certificate from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 March 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque and/or Share certificate personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque and/or Share certificate will be sent to the address on the relevant Application Form on or before Wednesday, 15 March 2017, by ordinary post and at your own risk.

### (ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque will be sent to the address on the relevant Application Form on or before Wednesday, 15 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 will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Wednesday, 15 March 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

— *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph "8. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 March 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **12. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company 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 participants of the Stock Exchange (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

28 February 2017

The Directors  
Winson Holdings Hong Kong Limited

Messiss Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Winson Holdings Hong Kong Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 (the “Relevant Periods”) and the combined statements of financial position of the Group as at 31 March 2015 and 2016 and 31 August 2016, and the statement of financial position of the Company as at 31 August 2016, together with the notes thereto (the “Financial Information”), prepared on the basis of preparation and presentation in notes 1.3 and 2 of Section II for inclusion in the prospectus of the Company dated 28 February 2017 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability under the Companies Law. Pursuant to the completion of the group reorganisation (the “Reorganisation”) as detailed in the paragraph headed “Reorganisation” in the Section headed “History, development and reorganisation” in the Prospectus, the Company has since 17 February 2017 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation. The Group is principally engaged in provisions of environmental hygiene, pest management, airline catering support and related services in Hong Kong. The Company and its subsidiaries have adopted 31 March as their financial year end date. Particulars of the subsidiaries comprising the Group are set out as below.

At the date of this report, the Company has direct or indirect equity interests in the following subsidiaries comprising the Group:

	Place and date of Incorporation	Place of operation and principal activity	Issued ordinary share capital	Percentage of equity attributable to the Company		Notes
				Directly	Indirectly	
Winson Group Hong Kong Limited	British Virgin Islands 28 November 2014	Investment holding	US\$1	100%	—	(a)
Winson Cleaning Service Company Limited	Hong Kong 09 December 1983	Provisions of environmental hygiene, airline catering support and related services	HK\$6,000,000	—	100%	(b)
Winson Professional Pest Control Company Limited	Hong Kong 28 September 1993	Provisions of pest management services	HK\$8,275,000	—	100%	(b)
Wealthy Strong Investment Limited	Hong Kong 24 October 1991	Property holding	HK\$6,652,026	—	100%	(b)

*Notes:*

- (a) No audited financial statements of this company have been prepared as it is not required to issue any audited financial statements under the statutory requirement in its place of incorporation.
- (b) The statutory financial statements of these companies for the years ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and were audited by us.

No audited financial statements have been prepared for the Company since its incorporation as the Company is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

For the purpose of this report, the directors of the Company has prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of preparation set out in note 2 of Section II to the Financial Information below and the accounting policies set out in note 4 of Section II to the Financial Information below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

## RESPONSIBILITY

The directors of the Company is responsible for the contents of the Prospectus including the preparation and the true and fair presentation of the Financial Information and the Underlying Financial Statements in accordance with the basis of preparation set out in note 2 of Section II to the Financial Information and the accounting policies set out in note 4 of Section II to the Financial Information and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”), and for such

internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information and the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

### **OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, for the purpose of this report and the basis of presentation set out in note 1.3 of Section II to the Financial Information below and in accordance with the accounting policies in set out in note 4 of Section II to the Financial Information below, gives a true and fair view of the financial positions of the Group as at 31 March 2015 and 2016 and 31 August 2016 and the Company as at 31 August 2016, and of the combined financial performance and cash flows of the Group for each of the Relevant Periods.

### **CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited interim financial information of the Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 August 2015, together with explanatory notes thereon (the “Corresponding Financial Information”), in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors are responsible for the preparation and presentation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists principally 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 Corresponding Financial Information.

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## Combined Statements of Comprehensive Income

	<i>Notes</i>	For the year ended 31 March		Five months ended 31 August	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
				(unaudited)	
Revenue	7(a)	369,212	449,758	181,222	191,388
Cost of services		<u>(313,082)</u>	<u>(381,282)</u>	<u>(153,452)</u>	<u>(163,235)</u>
Gross profit		56,130	68,476	27,770	28,153
Other income and gains	7(b)	1,429	836	516	248
General operating expenses		(37,148)	(43,394)	(15,784)	(20,014)
Finance costs	8	<u>(2,499)</u>	<u>(2,332)</u>	<u>(976)</u>	<u>(1,072)</u>
Profit before income tax	9	17,912	23,586	11,526	7,315
Income tax expense	10	<u>(3,581)</u>	<u>(4,772)</u>	<u>(2,118)</u>	<u>(2,011)</u>
Profit for the year/period and total comprehensive income for the year/ period		<u>14,331</u>	<u>18,814</u>	<u>9,408</u>	<u>5,304</u>

## Combined Statements of Financial Position

	Notes	As at 31 March		As at
		2015	2016	31 August
		HK\$'000	HK\$'000	2016
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	<u>38,377</u>	<u>37,301</u>	<u>36,746</u>
<b>Current assets</b>				
Inventories	15	17	27	22
Trade receivables	16	64,909	74,014	80,816
Deposits, prepayments and other receivables	17	4,976	5,609	4,859
Tax recoverable		36	5	1
Cash and cash equivalents	18	<u>20,041</u>	<u>22,410</u>	<u>20,346</u>
		<u>89,979</u>	<u>102,065</u>	<u>106,044</u>
<b>Current liabilities</b>				
Trade payables	19	6,594	10,829	10,574
Accruals, deposits and other payables	20	34,000	33,372	34,740
Amounts due to related parties	21	416	—	—
Bank borrowings	22	69,911	55,380	50,581
Tax payable		<u>180</u>	<u>2,445</u>	<u>3,704</u>
		<u>111,101</u>	<u>102,026</u>	<u>99,599</u>
<b>Net current (liabilities)/assets</b>		<u>(21,122)</u>	<u>39</u>	<u>6,445</u>
<b>Total assets less current liabilities</b>		<u>17,255</u>	<u>37,340</u>	<u>43,191</u>
<b>Non-current liabilities</b>				
Provision for long service payments	24	6,443	7,643	8,175
Deferred tax liabilities	23	<u>870</u>	<u>941</u>	<u>956</u>
		<u>7,313</u>	<u>8,584</u>	<u>9,131</u>
<b>Net assets</b>		<u>9,942</u>	<u>28,756</u>	<u>34,060</u>
<b>EQUITY</b>				
Share capital	25	—	—	—
Reserves		<u>9,942</u>	<u>28,756</u>	<u>34,060</u>
<b>Total equity</b>		<u>9,942</u>	<u>28,756</u>	<u>34,060</u>

## Statement of Financial Position

	<i>Notes</i>	<b>As at 31 August 2016 HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>		
<b>Current assets</b>		
Cash and cash equivalents		<u>88</u>
<b>Current liabilities</b>		
Amount due to a subsidiary	21	<u>100</u>
<b>Net current liabilities</b>		<u>(12)</u>
<b>Net liabilities</b>		<u><u>(12)</u></u>
<b>EQUITY</b>		
Share capital	25	—
Accumulated losses		<u>(12)</u>
<b>Capital deficiency</b>		<u><u>(12)</u></u>

## Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Merger reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	—	20,927	15,775	36,702
Profit for the year and total comprehensive income for the year	—	—	14,331	14,331
Transaction with owners: Dividend to shareholders of the subsidiaries ( <i>note 11</i> )	<u>—</u>	<u>—</u>	<u>(41,091)</u>	<u>(41,091)</u>
At 31 March 2015 and 1 April 2015	—	20,927	(10,985)	9,942
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>18,814</u>	<u>18,814</u>
At 31 March 2016 and 1 April 2016	—	20,927	7,829	28,756
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>5,304</u>	<u>5,304</u>
At 31 August 2016	<u>—</u>	<u>20,927</u>	<u>13,133</u>	<u>34,060</u>
Five months ended 31 August 2015 (unaudited)				
At 1 April 2015	—	20,927	(10,985)	9,942
Profit for the period and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>9,408</u>	<u>9,408</u>
At 31 August 2015	<u>—</u>	<u>20,927</u>	<u>(1,577)</u>	<u>19,350</u>

\* These reserve balances comprised the reserve account as set out in the combined statements of financial position.

## Combined Statements of Cash Flows

	Note	Year ended 31 March		Five months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
<b>Cash flows from operating activities</b>					
Profit before income tax		17,912	23,586	11,526	7,315
Adjustments for:					
Written off of trade receivables	9	—	46	—	—
Written off of other receivables	9	276	—	—	—
Interest income	7(b)	(19)	—	—	—
Interest expenses	8	2,499	2,332	976	1,072
(Gain)/loss on disposal of property, plant and equipment	7(b)	(480)	(258)	(302)	12
Depreciation	9	3,294	3,450	1,459	1,430
<b>Operating profit before working capital changes</b>					
		23,482	29,156	13,659	9,829
Increase in inventories		(5)	(10)	3	5
Increase in trade receivables		(7,367)	(9,151)	(9,826)	(6,802)
(Increase)/decrease in prepayments, deposits and other receivables		(343)	(633)	3,014	750
(Decrease)/increase in trade payables		(766)	4,235	(1,458)	(255)
Increase/(decrease) in accruals, deposits and other payables		3,760	(628)	3,467	1,368
Increase in provision for long service payments		810	1,200	500	532
<b>Cash generated from operations</b>					
		19,571	24,169	9,359	5,427
Interest paid		(2,499)	(2,332)	(976)	(1,072)
Income tax paid		(3,670)	(2,405)	—	(733)
<b>Net cash generated from operating activities</b>					
		13,402	19,432	8,383	3,622
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,586)	(2,425)	(1,689)	(887)
Proceeds from disposal of property, plant and equipment		693	309	309	—
Bank interest received		19	—	—	—
<b>Net cash used in investing activities</b>					
		(2,874)	(2,116)	(1,380)	(887)

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
<b>Cash flows from financing activities</b>				
Repayment of finance lease	(768)	—	—	—
Proceeds of bank borrowings	209,493	237,013	77,400	107,913
Repayment of bank borrowings	(203,647)	(248,989)	(90,206)	(112,712)
Decrease in amount due to a related party	(26,613)	—	—	—
Increase/(decrease) in amounts due to related companies	265	(416)	(250)	—
<b>Net cash used in financing activities</b>	<u>(21,270)</u>	<u>(12,392)</u>	<u>(13,056)</u>	<u>(4,799)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(10,742)	4,924	(6,053)	(2,064)
<b>Cash and cash equivalents at beginning of the year/period</b>	<u>28,228</u>	<u>17,486</u>	<u>17,486</u>	<u>22,410</u>
<b>Cash and cash equivalents at end of the year/period</b>	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>
<b>Analysis of the balance of cash and cash equivalents</b>				
Cash and bank balances	20,041	22,410	11,433	20,346
Bank overdraft	<u>(2,555)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>17,486</u></u>	<u><u>22,410</u></u>	<u><u>11,433</u></u>	<u><u>20,346</u></u>

## II. NOTES TO FINANCIAL INFORMATION

### 1.1 GENERAL INFORMATION

The Company was incorporated on 31 May 2016 as an exempted company with limited liability in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and principal place of business are set out in the section under "Corporate Information" of the Prospectus.

The Company is an investment holding company and the Group is principally engaged in the provisions of environmental hygiene, pest management, airline catering support and related services.

### 1.2 GROUP REORGANISATION

Pursuant to the Reorganisation as detailed in the section headed "History, development and reorganisation" in the Prospectus, which was completed on 17 February 2017, the Company became the holding company of the companies now comprising the Group.

### 1.3 BASIS OF PRESENTATION

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of certain new holding companies at the top of Winson Holdings Hong Kong Limited has not resulted in any change in economic substance. Accordingly, the Financial Information has been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the Reorganisation had occurred as of the beginning of the Relevant Periods and the current group structure had always been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment, where it is a shorter period.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the two years ended 31 March 2015 and 2016 and five months ended 31 August 2015 and 2016 have included the financial performance, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Group as of 31 March 2015 and 2016 and 31 August 2016 have been prepared to present the financial positions of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

## 2. BASIS OF PREPARATION

The Financial Information set out in this report has been prepared in accordance with the basis of presentation set out in note 1.3 of Section II of the Financial Information, and the accounting policies in note 4 of Section II which conform to HKFRSs (which collective term included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

All HKFRSs effective on the accounting period commencing from 1 April 2016, together with the relevant transition provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Corresponding Financial Information.

The Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies set out below. The Financial Information is presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

### 3. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Income Taxes <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the new or revised standards on the Group's financial performance and financial position in the first year of application. Those new or revised HKFRSs that are expected to have impact on the Financial Information are set out below.

#### HKFRS 9 (2014) — Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) would not result in significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 August 2016.

#### HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that the adoption of HKFRS 15 would not result in significant impact on amounts reported on the Group's combined financial statements.

#### **HKFRS 16 Leases**

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard 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. 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. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019.

As set out in note 27, the total operating lease commitment of the Group in respect of rented staff quarter as at 31 August 2016 amounted to HK\$308,000. The directors of the Company anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's combined financial statements.

The directors of the Company anticipate that the adoption of other new or revised standards would not result in significant impact on amounts reported on the Group's combined financial statements.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

##### **(a) Basis of consolidation**

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

##### **(b) Subsidiaries**

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting periods. The useful lives are as follows:

Leasehold land and buildings	Over the term of lease
Leasehold improvements	15%
Office furniture and equipment	15%–25%
Machinery and equipment	25%
Motor vehicles	25%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**(d) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

***The Group as lessee***

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

**(e) Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

**(i) Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

**(ii) Impairment loss on financial assets**

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

*For loans and receivables*

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**(iii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**(iv) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) **Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) **Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents included cash and bank balances and bank overdraft. In the statement of financial position, bank overdraft are shown within bank borrowings in the current liabilities.

(h) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sales of goods and services in the normal course of business, net of rebates and discounts.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

- (i) Service income is recognised in the accounting period in which the services are rendered. For the service contract relates to routine services, the service income will be recognised on a straight-line basis over the contract terms as the work is performed. For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services. Receipts in respect of the service income for which the relevant services have not been rendered are recognised as receipts in advance in the combined statements of financial position.
- (ii) interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(i) **Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

**(j) Employee benefits****(i) Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

**(ii) Defined contribution retirement plan**

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

**(iii) Termination benefits**

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**(iv) Long service payments**

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Liabilities recognised in respect of long service payment are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. The cost of providing the long service payment liabilities is charged to the combined statements of comprehensive income. The long service payment liabilities are determined by the recent remuneration of the eligible employees based on the requirement of Hong Kong Employment Ordinance, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

**(k) Impairment loss of non-financial assets**

Property, plant and equipment are subject to impairment testing.

At the end of each reporting period, the Group reviews the carrying amounts of these assets to determine whether there is any indication that these assets' carrying amount may not be recoverable.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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 as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 as income immediately.

**(l) Borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(m) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(n) Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**(o) Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in this Financial Information, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

**(i) Estimated useful lives of property, plant and equipment**

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 4(c) of Section II. The estimated useful lives reflect the directors' of the Company estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

**(ii) Impairment of trade and other receivables**

The Group makes provision for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

**(iii) Provisions**

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

**(iv) Income taxes**

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

**6. SEGMENT INFORMATION**

During the Relevant Periods, the information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. The Group is currently organised into two operating divisions as follows:

- (1) Environmental hygiene, pest management and related services
- (2) Airline catering support services

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4(o) of Section II. For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than tax recoverable and cash and cash equivalents.
- all liabilities are allocated to operating segments other than amounts due to related parties, bank borrowings and tax payable.
- all profit or loss are allocated to operating segments other than directors' remuneration, finance costs, income tax expense and certain other expenses incurred for strategic planning by the Group.

For the year ended 31 March 2015

	<b>Environmental hygiene, pest management and related services</b> <i>HK\$'000</i>	<b>Airline catering support services</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue			
Sales to external customers	<u>344,537</u>	<u>24,675</u>	<u>369,212</u>
Segment results	<u>21,061</u>	<u>3,688</u>	24,749
Directors' emoluments			(4,338)
Finance costs			<u>(2,499)</u>
Profit before income tax			17,912
Income tax expense			<u>(3,581)</u>
Profit for the year			<u>14,331</u>
Segment assets	105,269	3,010	108,279
Tax recoverable			36
Cash and cash equivalents			<u>20,041</u>
Total assets			<u>128,356</u>
Segment liabilities	46,125	1,782	47,907
Amounts due to related parties			416
Borrowings			69,911
Tax payable			<u>180</u>
Total liabilities			<u>118,414</u>
<b>Other segment information</b>			
Depreciation	(3,289)	(5)	(3,294)
Additions to non-current assets	<u>3,586</u>	<u>—</u>	<u>3,586</u>

For the year ended 31 March 2016

	<b>Environmental hygiene, pest management and related services</b>	<b>Airline catering support services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Sales to external customers	<u>415,275</u>	<u>34,483</u>	<u>449,758</u>
Segment results	<u>31,937</u>	<u>5,055</u>	36,992
Directors' emoluments			(7,388)
Listing expenses			(3,686)
Finance costs			<u>(2,332)</u>
Profit before income tax			23,586
Income tax expense			<u>(4,772)</u>
Profit for the year			<u>18,814</u>
Segment assets	113,404	3,547	116,951
Tax recoverable			5
Cash and cash equivalents			<u>22,410</u>
Total assets			<u>139,366</u>
Segment liabilities	50,521	2,264	52,785
Borrowings			55,380
Tax payable			<u>2,445</u>
Total liabilities			<u>110,610</u>
<b>Other segment information</b>			
Depreciation	(3,450)	—	(3,450)
Additions to non-current assets	<u>2,425</u>	<u>—</u>	<u>2,425</u>

For the five months ended 31 August 2016

	<b>Environmental hygiene, pest management and related services</b>	<b>Airline catering support services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Sales to external customers	<u>177,026</u>	<u>14,362</u>	<u>191,388</u>
Segment results	<u>13,508</u>	<u>1,774</u>	15,282
Directors' emoluments			(2,941)
Listing expenses			(3,954)
Finance costs			<u>(1,072)</u>
Profit before income tax			7,315
Income tax expense			<u>(2,011)</u>
Profit for the period			<u>5,304</u>
Segment assets	118,882	3,561	122,443
Tax recoverable			1
Cash and cash equivalents			<u>20,346</u>
Total assets			<u>142,790</u>
Segment liabilities	52,096	2,349	54,445
Borrowings			50,581
Tax payable			<u>3,704</u>
Total liabilities			<u>108,730</u>
<b>Other segment information</b>			
Depreciation	(1,430)	—	(1,430)
Additions to non-current assets	<u>887</u>	<u>—</u>	<u>887</u>

For the five months ended 31 August 2015

	<b>Environmental hygiene, pest management and related services</b> <i>HK\$'000</i> (unaudited)	<b>Airline catering support services</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
Revenue			
Sales to external customers	<u>167,115</u>	<u>14,107</u>	<u>181,222</u>
Segment results	<u>13,309</u>	<u>2,383</u>	15,692
Directors' emoluments			(2,800)
Listing expenses			(390)
Finance costs			<u>(976)</u>
Profit before income tax			11,526
Income tax expense			<u>(2,118)</u>
Profit for the period			<u>9,408</u>
Segment assets	111,759	3,556	115,315
Cash and cash equivalents			<u>11,433</u>
Total assets			<u>126,748</u>
Segment liabilities	48,647	2,073	50,720
Borrowings			54,550
Tax payable			<u>2,128</u>
Total liabilities			<u>107,398</u>
<b>Other segment information</b>			
Depreciation	(1,459)	—	(1,459)
Additions to non-current assets	<u>1,689</u>	<u>—</u>	<u>1,689</u>

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, Hong Kong is regarded as the Group's place of domicile. All the Group's revenue and non-current assets are attributable to Hong Kong, being the single geographical region.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is sourced from Hong Kong.

Revenue from customers which individually contributed 10% or more of the Group's revenue, are set out as follows:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Customer A (note 1)	124,972	167,547	64,280	72,562
Customer B (note 2)	<u>47,187</u>	<u>52,397</u>	<u>21,124</u>	<u>22,359</u>

Notes:

- (1) This is a customer for environmental hygiene, pest management and related services for the years ended 31 March 2015 and 2016 and five months ended 31 August 2015 and 2016.
- (2) For the year ended 31 March 2015, revenue of HK\$23,541,000 was generated from environmental hygiene, pest management and related services while revenue of HK\$23,646,000 was generated from airline catering support services for this customer.

For the year ended 31 March 2016, revenue of HK\$25,814,000 was generated from environmental hygiene, pest management and related services while revenue of HK\$26,583,000 was generated from airline catering support services for this customer.

For the five months ended 31 August 2016, revenue of HK\$11,461,000 (five months ended 31 August 2015: HK\$10,249,000) was generated from environmental hygiene, pest management and related services while revenue of HK\$10,898,000 (five months ended 31 August 2015: HK\$10,875,000) was generated from airline catering support services for this customer.

## 7. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the income from environmental hygiene, pest management, airline catering support and related services rendered.

- The Group's revenue recognised during the Relevant Periods are as follows:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue:				
Environmental hygiene and related services	343,406	414,028	166,533	176,566
Airline catering support services	24,675	34,483	14,107	14,362
Pest management services	<u>1,131</u>	<u>1,247</u>	<u>582</u>	<u>460</u>
	<u>369,212</u>	<u>449,758</u>	<u>181,222</u>	<u>191,388</u>

(b) The Group's other income and gains recognised during the Relevant Periods are as follows:

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Other income and gains:				
Interest income	19	—	—	—
Rental income	10	—	—	—
Gain on disposal of property, plant and equipment	480	258	302	—
Sales of scrap materials	804	578	214	248
Others	116	—	—	—
	<u>1,429</u>	<u>836</u>	<u>516</u>	<u>248</u>

#### 8. FINANCE COSTS

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Interest on bank borrowings	2,393	2,332	976	1,072
Finance charges on obligation under finance leases	106	—	—	—
	<u>2,499</u>	<u>2,332</u>	<u>976</u>	<u>1,072</u>

#### 9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Auditor's remuneration	280	280	117	117
Cost of inventories recognised as expenses	12,419	14,188	5,499	5,512
Depreciation	3,294	3,450	1,459	1,430
Written off of trade receivables	—	46	—	—
Written off of other receivables	276	—	—	—
(Gain)/loss on disposal of property, plant and equipment	(480)	(258)	(302)	12
Listing expenses	—	3,686	390	3,954
Minimum lease payments under operating leases:				
— Land and buildings for staff quarters	197	208	89	90
Staff costs (including directors' remuneration):				
Wages, salaries and allowances	263,367	298,159	122,467	123,075
Retirement benefit plans contributions	10,849	12,758	5,234	5,470
	<u>274,216</u>	<u>310,917</u>	<u>127,701</u>	<u>128,545</u>

## 10. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Periods.

	Year ended 31 March		Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Current tax — Hong Kong Profits Tax	2,940	4,701	1,983	1,996
Deferred taxation ( <i>note 23</i> )	<u>641</u>	<u>71</u>	<u>135</u>	<u>15</u>
	<u><u>3,581</u></u>	<u><u>4,772</u></u>	<u><u>2,118</u></u>	<u><u>2,011</u></u>

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 March		Five months 31 August	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit before income tax	<u><u>17,912</u></u>	<u><u>23,586</u></u>	<u><u>11,526</u></u>	<u><u>7,315</u></u>
Tax at the applicable tax rate of 16.5%	2,955	3,891	1,902	1,207
Tax effect of non-deductible expenses	74	807	147	747
Recognition of temporary differences previously not recognised	603	137	69	57
Tax effect of unused tax losses not recognised	3	—	—	—
Utilisation of tax loss previously not recognised	(14)	(3)	—	—
Tax concession	<u>(40)</u>	<u>(60)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u><u>3,581</u></u>	<u><u>4,772</u></u>	<u><u>2,118</u></u>	<u><u>2,011</u></u>

**11. DIVIDEND**

No dividend has been paid or declared by the Company since its date of incorporation.

No final dividend has been paid or declared by the subsidiaries during the Relevant Periods. Prior to the Reorganisation, interim dividends, which has been declared and paid by the subsidiaries, are as follows:

During the year ended 31 March 2015, Winson Cleaning Service Company Limited declared interim dividends of HK\$150 and HK\$134.88 per ordinary share to Winson Group Holdings Limited, the former immediate and ultimate holding company, totalling HK\$9,000,000 and HK\$8,093,000 respectively, and has been settled through the current account with Winson Group Holdings Limited during the year ended 31 March 2015.

During the year ended 31 March 2015, Winson Professional Pest Control Company Limited declared an interim dividend of HK\$0.18 per ordinary share to Winson Group Holdings Limited, the former immediate and ultimate holding company, totalling HK\$1,498,000, and has been settled through the current account with Winson Group Holdings Limited during the year ended 31 March 2015.

During the year ended 31 March 2015, Wealthy Strong Investment Limited declared interim dividends of HK\$21 and HK\$1.5 per ordinary share to Winson Group Holdings Limited, the former immediate and ultimate holding company, totalling HK\$21,000,000 and HK\$1,500,000 respectively, and has been settled through the current account with Winson Group Holdings Limited during the year ended 31 March 2015.

During the year ended 31 March 2015, the subsidiaries of the Group declared interim dividend to the shareholders. As at 31 March 2015, the accumulated losses of the Group were HK\$10,985,000. The leasehold land and buildings, which are held by Wealthy Strong Investment Limited, were used by the Group as head office and were stated at cost less accumulated depreciation and any impairment losses in the Financial Information. In the book of Wealthy Strong Investment Limited, the leasehold land and buildings were held to earn rental income and were stated at fair value. The reversal of accumulated fair value gain of approximately HK\$16,458,000 in the book of Wealthy Strong during the preparation of the Group's Underlying Financial Statements has led to the accumulated losses as at 31 March 2015.

**12. EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Relevant Periods.

## 13. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

## (a) Director's remuneration

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees <i>HK\$'000</i>	Salaries, discretionary bonus, allowances and other benefits <i>HK\$'000</i>	Retirement scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2015</b>				
<i>Executive directors:</i>				
Ms. Ng Sing Mui	—	1,520	76	1,596
Ms. Sze Tan Nei	—	924	46	970
Mr. Ang Ming Wah	—	1,334	18	1,352
Mr. Sze Wai Lun	—	406	14	420
Total	—	4,184	154	4,338
<b>Year ended 31 March 2016</b>				
<i>Executive directors:</i>				
Ms. Ng Sing Mui	—	2,756	138	2,894
Ms. Sze Tan Nei	—	2,205	110	2,315
Mr. Ang Ming Wah	—	1,334	18	1,352
Mr. Sze Wai Lun	—	809	18	827
Total	—	7,104	284	7,388
<b>Five months ended 31 August 2016</b>				
<i>Executive directors:</i>				
Ms. Ng Sing Mui	—	1,124	56	1,180
Ms. Sze Tan Nei	—	900	45	945
Mr. Ang Ming Wah	—	464	8	472
Mr. Sze Wai Lun	—	336	8	344
Total	—	2,824	117	2,941
<b>Five months ended 31 August 2015 (unaudited)</b>				
<i>Executive directors:</i>				
Ms. Ng Sing Mui	—	1,060	53	1,113
Ms. Sze Tan Nei	—	848	42	890
Mr. Ang Ming Wah	—	464	8	472
Mr. Sze Wai Lun	—	317	8	325
Total	—	2,689	111	2,800

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 March 2015 and 2016 and five months ended 31 August 2016 included four, four and four (five months ended 31 August 2015: four) directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one, one and one individuals for each of the years ended 31 March 2015 and 2016 and five months ended 31 August 2016 (five months ended 31 August 2015: one) respectively are as follows:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Salaries, allowances and other benefits	720	501	200	205
Contributions to pension fund	<u>36</u>	<u>18</u>	<u>8</u>	<u>10</u>
	<u>756</u>	<u>519</u>	<u>208</u>	<u>215</u>

(b) **Five highest paid individuals**

The remuneration paid to each of the above non-director highest paid individuals for each of the Relevant Periods fell within the following bands:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	Number of individuals	Number of individuals	Number of individuals	Number of individuals
			(unaudited)	
Nil to HK\$500,000	1	—	1	1
HK\$500,001 to HK\$1,000,000	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 31 March		Five months ended 31 August	
	2015	2016	2015	2016
	Number of individuals	Number of individuals	Number of individuals	Number of individuals
			(unaudited)	
Nil to HK\$500,000	2	1	2	2
HK\$500,001 to HK\$1,000,000	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

## 14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>						
At 1 April 2014	9,882	34,572	2,016	1,724	7,218	55,412
Additions	686	—	—	238	2,662	3,586
Disposals	(263)	—	(46)	(20)	(911)	(1,240)
At 31 March 2015 and 1 April 2015	10,305	34,572	1,970	1,942	8,969	57,758
Additions	1,429	—	—	90	906	2,425
Disposals	(3,046)	—	—	(146)	(512)	(3,704)
At 31 March 2016 and 1 April 2016	8,688	34,572	1,970	1,886	9,363	56,479
Additions	189	—	—	357	341	887
Disposals	(224)	—	—	—	—	(224)
At 31 August 2016	8,653	34,572	1,970	2,243	9,704	57,142
<b>Accumulated depreciation:</b>						
At 1 April 2014	8,117	1,412	370	1,145	6,070	17,114
Provided for the year	802	996	302	149	1,045	3,294
Written back on disposals	(217)	—	(15)	(12)	(783)	(1,027)
At 31 March 2015 and 1 April 2015	8,702	2,408	657	1,282	6,332	19,381
Provided for the year	949	997	295	155	1,054	3,450
Written back on disposals	(3,001)	—	—	(140)	(512)	(3,653)
At 31 March 2016 and 1 April 2016	6,650	3,405	952	1,297	6,874	19,178
Provided for the period	416	415	123	72	404	1,430
Written back on disposals	(212)	—	—	—	—	(212)
At 31 August 2016	6,854	3,820	1,075	1,369	7,278	20,396
<b>Net carrying amount:</b>						
At 31 August 2016	1,799	30,752	895	874	2,426	36,746
At 31 March 2016	2,038	31,167	1,018	589	2,489	37,301
At 31 March 2015	1,603	32,164	1,313	660	2,637	38,377

At the end of each of the Reporting Periods, the leasehold land and buildings are pledged as security for the Group's bank borrowings and banking facilities granted to the Group (note 22).

The Group used the leasehold land and buildings with carrying amount of HK\$32,164,000, HK\$31,167,000 and HK\$30,752,000 as at 31 March 2015 and 2016 and 31 August 2016 as head office ("Actual Use"). The permitted use as specified in each of the relevant (i) conditions of sale and government grant; (ii) occupation permit; (iii) deeds of mutual covenant is (a) for industrial purpose; (b) as workshops for non-domestic use; (c) for use as prescribed by the government lease and the occupation permit respectively. Accordingly, the Actual Use does not comply with the permitted use as set out above and is in breach of section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use.

The Group has made applications for a lifetime waiver from the relevant government departments to release user restriction of the leasehold land and buildings from industrial to office for headquarters or back-office operations. Pursuant to the opinion from the Group's legal counsel, the maximum exposure of the fine is approximately to HK\$100,000.

#### 15. INVENTORIES

	As at 31 March		As at 31 August
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Consumables, at cost	<u>17</u>	<u>27</u>	<u>22</u>

#### 16. TRADE RECEIVABLES

	As at 31 March		As at 31 August
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

Trade receivables are denominated in Hong Kong Dollars.

The credit terms of the trade receivables are ranged from 0 to 75 days from the date of billing.

The ageing analysis of trade receivables based on the invoice date, as of the end of Relevant Periods is as follow:

	As at 31 March		As at 31 August
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within one month	33,324	38,887	38,860
One to three months	28,850	33,094	36,141
More than three months	<u>2,735</u>	<u>2,033</u>	<u>5,815</u>
	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

The ageing of trade receivables which are past due but no impaired are as follow:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Neither past due nor impaired	33,328	39,290	39,409
Past due but not impaired:			
Less than one month past due	24,938	32,601	28,478
One to three months past due	5,685	1,497	9,407
More than three months past due	958	626	3,522
	<u>31,581</u>	<u>34,724</u>	<u>41,407</u>
	<u>64,909</u>	<u>74,014</u>	<u>80,816</u>

Trade receivables of HK\$31,581,000, HK\$34,724,000 and HK\$41,407,000 were past due but not impaired as at 31 March 2015 and 2016 and 31 August 2016 related to a number of customers that have a good track record of repayment with the Group. Based on past experience, the directors of the Company believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

During the years ended 31 March 2015 and 2016 and five months ended 31 August 2016, the Group has written off trade receivables of nil, HK\$46,000 and nil respectively (five months ended 31 August 2015: nil) in respect of the trade debts due from customers which are considered as uncollectable.

Trade receivables of HK\$10,212,000, HK\$7,614,000 and HK\$7,765,000 were subject to assignment and charge arrangement as at 31 March 2015 and 2016 and 31 August 2016 respectively in which specific debtors are assigned to the bank to secure the bank loans of the Group and trade receivables of HK\$23,677,000, HK\$14,429,000 and HK\$16,925,000 as at 31 March 2015 and 2016 and 31 August 2016 have been pledged to banks to secure the banking facilities of the Group respectively.

#### 17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Prepayments for purchase of consumables	110	21	109
Other prepayments	3,857	5,115	4,147
Deposits	542	263	322
Other receivables	467	210	281
	<u>4,976</u>	<u>5,609</u>	<u>4,859</u>

During the years ended 31 March 2015 and 2016 and five months ended 31 August 2016, the Group has written off other receivables of HK\$276,000, nil and nil respectively (five months ended 31 August 2015: nil) in respect of the receivables due from debtors which are considered as uncollectable.

## 18. CASH AND CASH EQUIVALENTS

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Cash in hand	24	17	11
Cash at banks	20,017	22,393	20,335
Cash and cash equivalents as shown in the combined statements of financial position	20,041	22,410	20,346
Bank overdraft ( <i>note 22</i> )	(2,555)	—	—
Cash and cash equivalents as shown in the combined statements of cash flows	17,486	22,410	20,346

Cash and bank balances denominated in HK\$ and carry interest at prevailing rates at 0.01% per annum as at 31 March 2015 and 2016 and 31 August 2016.

## 19. TRADE PAYABLES

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Trade payables	6,594	10,829	10,574

Trade payables are denominated in Hong Kong Dollars.

The ageing analysis of trade payables based on the invoice date as of the end of Relevant Periods is as follow:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Within one month	6,508	10,536	10,282
One to three months	66	288	100
More than three months	20	5	192
	6,594	10,829	10,574

## 20. ACCRUALS, DEPOSITS AND OTHER PAYABLES

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Accrued staff costs	25,588	24,253	23,675
Other accrued expenses	6,129	7,993	9,767
Other payables	1,928	859	806
Receipts in advance	355	267	492
	<u>34,000</u>	<u>33,372</u>	<u>34,740</u>

## 21. AMOUNTS DUE TO RELATED PARTIES/A SUBSIDIARY

Amounts due to related parties or a subsidiary were unsecured, interest-free and repayable on demand.

All the amounts due to related parties have been fully settled during the year ended 31 March 2016.

## 22. BANK BORROWINGS

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
Bank overdraft	2,555	—	—
Bank loans	<u>67,356</u>	<u>55,380</u>	<u>50,581</u>
	<u>69,911</u>	<u>55,380</u>	<u>50,581</u>

All of the Group's bank loans as at 31 March 2015 and 2016 and 31 August 2016 contained a repayable on demand clause and therefore the entire bank loan balances for both years have been classified as current liabilities.

Taking into account the Group's financial position, the directors of the Company considered it is unlikely that the banks will exercise its discretion to demand immediate repayment. The directors of the Company considered that the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements. An analysis of the bank loans in accordance with the contractual repayment terms are summarised in the table below:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
<b>Analysed based on scheduled repayment terms set out in the loan agreements, into:</b>			
Bank loans repayable			
Within one year or on demand	54,872	32,211	30,469
In the second year	1,315	7,350	7,365
In the third to fifth years, inclusive	4,156	10,266	7,812
Beyond five years	<u>7,013</u>	<u>5,553</u>	<u>4,935</u>
	<u>67,356</u>	<u>55,380</u>	<u>50,581</u>

Bank borrowings were denominated in Hong Kong Dollars. As at 31 March 2015 and 2016 and 31 August 2016, the bank borrowings carried interest rate at floating rates ranged from 1.99% to 5.25%, 1.95% to 5.50% and 2.60% to 5.50% per annum respectively.

- (i) As at 31 March 2016 and 2015 and 31 August 2016, the banking facilities granted to the Group were secured by the following:
- (a) properties hold by the Group and related parties;
  - (b) unlimited corporate guarantees executed by a related company;
  - (c) unlimited personal guarantees executed by directors, Ms. Ng Sing Mui and Ms. Sze Tan Nei;
  - (d) assignment of rental proceeds of properties held by a related company, of which a director, Ms. Ng Sing Mui has beneficial interests;
  - (e) assignment and charge of trade receivables from assigned debtors of the Group. Trade receivables of HK\$10,212,000, HK\$7,614,000 and HK\$7,765,000 (note 16) of the Group were subject to such assignment and charge as at 31 March 2015 and 2016, 31 August 2016 respectively; and
  - (f) trade receivables of HK\$23,677,000, HK\$14,429,000 and HK\$16,925,000 (note 16) of the Group as at 31 March 2015 and 2016 and 31 August 2016.
- (ii) The current liabilities included bank loans of HK\$12,484,000, HK\$23,169,000 and HK\$20,112,000 that were not scheduled to be repaid within one year as at 31 March 2015 and 2016 and 31 August 2016 respectively. They were classified as current liabilities as the related loan agreements contain a clause that provided the lenders with an unconditional right to demand repayment at any time at its own discretion.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans. The directors considered it is unlikely that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 29(iii). At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

### 23. DEFERRED TAX LIABILITIES

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 April 2014	229
Charged for the year	<u>641</u>
At 31 March 2015 and 1 April 2015	870
Charged for the year	<u>71</u>
At 31 March 2016 and 1 April 2016	941
Charged for the period	<u>15</u>
At 31 August 2016	<u><u>956</u></u>

As at 31 March 2015 and 2016 and 31 August 2016, the Group has no estimated unused tax losses not recognised to carry forward against future taxable income.

**24. PROVISION FOR LONG SERVICE PAYMENTS**

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Liabilities for employee benefit comprise:			
Long service payments accrual, classified as non-current liabilities	6,443	7,643	8,175

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

**25. SHARE CAPITAL**

The Company was incorporated in the Cayman Islands on 31 May 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary share with a par value of HK\$0.01 per share. One nil-paid share was allotted and issued on the same date. Therefore there was no issued capital shown in the combined statements of financial position as at 31 March 2015 and 2016 and 31 August 2016 and the statement of financial position as at 31 August 2016.

**26. EMPLOYEE RETIREMENT BENEFITS**

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

The retirement scheme cost recognised in profit and loss represents contributions paid or payable to the MPF scheme by the Group at rates specified in the rule of the MPF scheme. As at 31 March 2015 and 2016 and 31 August 2016, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit scheme and which were available to reduce contributions payable.

**27. LEASES****The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable leases as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Within one year	88	88	308
Within two to fifth years	—	—	—
	<u>88</u>	<u>88</u>	<u>308</u>

Operating lease expenses represent rental payable by the Group for staff quarters. The leases are negotiated for a term for ranging from six months to 1 year over the Relevant Periods and rental is fixed over the term.

## 28. CAPITAL COMMITMENT

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Contracted but not provided for			
Purchase of property, plant and equipment	804	—	—

## 29. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and interest rate risk.

Financial risk management is coordinated at the Group's headquarter, in close co-operation with the executive directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to its operations.

It is not the Group's policy to actively engage in the trading of any financial instruments for speculative purposes. It identifies ways to monitor the Group's financial risk exposure. Regular reports are provided to the executive directors.

## (i) Interest rate risk

The Group's interest rate risk arises from variable rate bank balances and bank borrowings. The fair value interest rate risk related to the fixed rate obligation under finance leases. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

A reasonable change in interest rates in the next twelve months is assessed to result in insignificant changes in the Group's profit for the year and retained profits.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 50 basis points higher/lower for variables rate bank borrowings, with all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2015 and 2016 and five months ended 31 August 2016 would decrease/increase by approximately HK\$292,000, HK\$231,000 and HK\$211,000 respectively.

No sensitivity analysis of bank balances of the Group is presented as all balances carry interest rate below 0.1%.

The sensitivity analysis included in the Financial Information for the years ended 31 March 2015 and 2016 and five months ended 31 August 2016 have been prepared on the same basis.

**(ii) Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has concentration of credit risk with two customers from environmental hygiene services and airline catering support services with trade receivables of HK\$25,280,000, HK\$32,197,000 and HK\$37,996,000 as at 31 March 2015 and 2016 and 31 August 2016 respectively.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2015 and 2016 and 31 August 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the directors of the Company has closely monitored and reviewed the recoverability of the financial assets and the directors of the Company considers such risk is not significant.

The Group's management considers that all the Group's financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

**(iii) Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with bank covenants, to ensure that the Group maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	<b>Carrying amount</b>	<b>Total contractual undiscounted cash flow</b>	<b>Within 1 year or on demand</b>	<b>More than 1 year</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>31 March 2015</b>				
Trade payables	6,594	6,594	6,594	—
Accruals, deposits and other payables	34,000	34,000	34,000	—
Amounts due to related parties	416	416	416	—
Bank borrowings	69,911	71,338	71,338	—
	<u>110,921</u>	<u>112,348</u>	<u>112,348</u>	<u>—</u>

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>
<b>31 March 2016</b>				
Trade payables	10,829	10,829	10,829	—
Accruals, deposits and other payables	33,372	33,372	33,372	—
Bank borrowings	55,380	57,381	57,381	—
	<u>99,581</u>	<u>101,582</u>	<u>101,582</u>	<u>—</u>
		<b>Total contractual undiscounted cash flow</b>	<b>Within 1 year or on demand</b>	<b>More than 1 year</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>31 August 2016</b>				
Trade payables	10,574	10,574	10,574	—
Accruals, deposits and other payables	34,740	34,740	34,740	—
Bank borrowings	50,581	52,307	52,307	—
	<u>95,895</u>	<u>97,621</u>	<u>97,621</u>	<u>—</u>

Taking into account the Group's financial position, the directors of the Company considered it is unlikely that the banks will exercise its discretion to demand immediate repayment. The directors of the Company considered that the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted amount <i>HK\$'000</i>	Less than one year or on demand <i>HK\$'000</i>	More than one year but less than two years <i>HK\$'000</i>	More than two years but less than five years <i>HK\$'000</i>	More than five years <i>HK\$'000</i>
At 31 March 2015	<u>69,911</u>	<u>72,798</u>	<u>58,854</u>	<u>1,624</u>	<u>4,873</u>	<u>7,447</u>
At 31 March 2016	<u>55,380</u>	<u>58,581</u>	<u>33,321</u>	<u>7,785</u>	<u>11,161</u>	<u>6,314</u>
At 31 August 2016	<u>50,581</u>	<u>53,528</u>	<u>31,634</u>	<u>7,802</u>	<u>8,482</u>	<u>5,610</u>

**(iv) Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Financial assets</b>			
Loans and receivables:			
Trade receivables	64,909	74,014	80,816
Deposits and other receivables	1,009	473	603
Cash and cash equivalents	<u>20,041</u>	<u>22,410</u>	<u>20,346</u>
	<u>85,959</u>	<u>96,897</u>	<u>101,765</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised costs:			
Trade payables	6,594	10,829	10,574
Accruals, deposits and other payables	34,000	33,372	34,740
Amounts due to related parties	416	—	—
Bank borrowings	<u>69,911</u>	<u>55,380</u>	<u>50,581</u>
	<u>110,921</u>	<u>99,581</u>	<u>95,895</u>

**(v) Fair value risk**

The directors considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

**(vi) Capital management**

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal returns to shareholders.

For capital management purpose, the directors of the Company regard the total equity presented on the statement of financial position as capital.

The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Amounts due to related parties	416	—	—
Bank borrowings	<u>69,911</u>	<u>55,380</u>	<u>50,581</u>
Total debt	<u>70,327</u>	<u>55,380</u>	<u>50,581</u>
Total equity	<u>9,942</u>	<u>28,756</u>	<u>34,060</u>
Gearing ratio	<u>7.07</u>	<u>1.92</u>	<u>1.49</u>

### 30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group also had the following related party transactions during the Relevant Periods:

#### (i) Related party transactions

	As at 31 March		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Rental income received from a related party ( <i>note</i> )	<u>10</u>	<u>—</u>	<u>—</u>

*Note:*

During the year ended 31 March 2015, the Group received rental income of HK\$10,000, from Winson Industrial (Asia) Company Limited, of which a director of the Company, Ms. Ng Sing Mui, has beneficial interests.

#### (ii) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the Relevant Periods are set out in note 13.

#### (iii) Interest income from director

Interest income of HK\$19,000 in relation to a loan to a director was credited to profit and loss for the year ended 31 March 2015. The loan was fully settled during the year ended 31 March 2015. No loan to director or interest income from director was noted for the year ended 31 March 2016 and five months ended 31 August 2016 (five months ended 31 August 2015: nil).

**31. LITIGATION**

As at the end of each reporting date, the Group incurred several ongoing claims related to its employees or third parties injuries, where the Group is defendant and the plaintiffs alleged that they suffered from injuries. In the opinion of the directors of the Company, taking into account of the opinion from the Group's legal advisor, the provision of insurance deductibles of HK\$360,000, HK\$740,000 and HK\$710,000 as at 31 March 2015 and 2016 and 31 August 2016 respectively had been provided based on the insurance policy. For the costs and expenses which exceed the insurance deductibles, the directors considered the excess amounts (if any) would be fully covered by the Group's insurance policies.

**32. CONTINGENT LIABILITIES**

Save as disclosed in note 14 of the accountant's report, the Actual Use of the leasehold land and buildings does not comply with the permitted use and is beach of section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use.

As at 31 March 2015 and 2016 and 31 August 2016, pursuant to the opinion from the Group's legal counsel, the maximum exposure of the fine is approximately to HK\$100,000.

### III. SUBSEQUENT EVENTS

Subsequent to 31 August 2016 and up to the date of this report, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 17 February 2017 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed “History, development and reorganisation” in the Prospectus.
- (b) On 21 February 2017, written resolutions were passed to effect the transactions as set out in the section headed “Statutory and general information — A. Further information about the company — 3. Written resolutions of the sole Shareholder passed on 21 February 2017” in Appendix IV to the Prospectus, certain of which are disclosed as follows:
  - (i) On 21 February 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each.
  - (ii) The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted. Details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in section headed “Share Option Schemes” of Appendix IV to the Prospectus.

### IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 31 August 2016.

Yours faithfully,

**BDO Limited**  
*Certified Public Accountants*  
Lui Chi Kin  
Practising Certificate Number P06162  
Hong Kong

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set forth in this appendix does not form part of the Accountant's Report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set forth in Appendix I to this prospectus.

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted combined net intangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purposes only, and is set out below to illustrate effect of the Share Offer on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 31 August 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Share Offer been completed on 31 August 2016 or at any future dates.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared based on the audited combined net tangible assets of the Group as at 31 August 2016 as show in the Accountant's Report as set out in Appendix I to this prospectus, and adjusted as follows:

	<b>Combined net tangible assets of the Group as at 31 August 2016</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group per Share</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on a minimum of HK\$0.40 per Offer Share	34,060	48,787	82,847	0.138
Based on a maximum of HK\$0.50 per Offer Share	34,060	62,737	96,797	0.161

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

- (1) The audited combined net tangible assets of the Group as at 31 August 2016 amounting to approximately HK\$34,060,000 is extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 150,000,000 Shares and the Share Offer of HK\$0.40 per Offer Share (being the low-end of the indicative Offer Price range between HK\$0.40 to HK\$0.50 per Offer Share) and HK\$0.50 per Offer Share (being the high-end of the indicative Offer Price range between HK\$0.40 to HK\$0.50 per Offer Share), respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company which has not been reflected in combined net tangible assets of the Group as at 31 August 2016. The estimated net proceeds do not take into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 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 Company's general mandates.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on 600,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but does not take into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and 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 Company's general mandates.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話：+852 2218 8288  
傳真：+852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF WINSON HOLDINGS HONG KONG LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Winson Holdings Hong Kong Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets as at 31 August 2016 and the related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of Appendix II to the prospectus of the Company dated 28 February 2017 (the "Prospectus") issued by the Company in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described 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 of the Company to illustrate the Proposed Share Offer on the Company's combined financial position as at 31 August 2016 as if the Proposed Share Offer had taken place at 31 August 2016. As part of this process, information about the Company's combined financial position has been extracted by the directors of the Company from the Company's financial information for the five months ended 31 August 2016, on which an accountant's report set out in Appendix I to the Prospectus has been published.

**DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM 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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **REPORTING ACCOUNTANT’S RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 Unaudited Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purpose 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 the unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Offer at 31 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of GEM Listing Rules.

**BDO Limited**  
Certified Public Accountants  
Hong Kong

28 February 2017

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the property interest owned by the Group as at 30 November 2016.*



Peak Vision  
Appraisals Limited

12/F, Effectual Building  
14-16 Hennessy Road  
Wanchai, Hong Kong  
www.peakval.com

Tel (852) 2187 2238  
Fax (852) 2187 2239

28 February 2017

The Board of Directors  
Winson Holdings Hong Kong Limited  
Unit Nos. 1, 2, 3, 5, 6, 7 and 8, 10th Floor  
One Midtown  
No. 11 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

Dear Sirs,

**Re: Unit Nos. 1–3 and 5–8 (including share of interest of the Lavatory, Lift Lobby and Corridor) on 10th Floor and Parking Space Nos. P41, P59, P60 and P62 on 2nd Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong**

In accordance with the instructions from Winson Holdings Hong Kong Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the captioned property interest in the Hong Kong Special Administrative Region (“**Hong Kong**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property interest as at 30 November 2016 (the “**Valuation Date**”).

This letter, forming part of our valuation report, identifies the property interest being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation represents our opinion of market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, which is held for owner occupation by the Group, we have adopted the Direct Comparison Method assuming sale of the property interest in its existing state by making reference to comparable sales evidence as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have caused title searches to be made at the Land Registry in respect of the property interest. However, we have not searched the original documents to verify the ownership or to ascertain the existence of any amendments.

In valuing the property interest located in Hong Kong, of which the Government Lease has expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law of the Hong Kong Special Administrative Region and the New Territories (Extension) Ordinance 1988 that such lease has been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent of the rateable value of the property will be charged from the date of extension.

The property was inspected during January 2017 by Mr. Tony M. W. Cheng, a manager of our firm who has 10 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the floor area of the property but have assumed that the floor area shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificate are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Company and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the property interest, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HK\$).

We hereby confirm that we have neither present nor prospective interests in the Company, the Group, the property interest or the value reported herein.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,  
For and on behalf of  
**Peak Vision Appraisals Limited**  
**Nick C. L. Kung**  
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer  
*Director*

*Note:* Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and abroad.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2016
<p>Unit Nos. 1–3 and 5–8 (including share of interest of the Lavatory, Lift Lobby and Corridor*) on 10th Floor (<i>see Note i below</i>) and Parking Space Nos. P41, P59, P60 and P62 on 2nd Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong</p> <p>556/51,287th of 90,525/177,500th equal and undivided parts or shares of and in Tsuen Wan Town Lot No. 218 and Tsun Wan Inland Lot No. 36</p> <p>*504/1,176th of 221/51,287th of 90,525/177,500th equal and undivided parts or shares of and in Tsuen Wan Town Lot No. 218 and Tsun Wan Inland Lot No. 36</p>	<p>One Midtown is a 40-storey industrial building with portion of ground floor designated as entrance lobby and the remaining portion of ground floor, the whole of 1st, 2nd and 3rd floors designated as carpark, completed in about 2012.</p> <p>The property comprises 7 industrial units (including share of interest of the Lavatory, Lift Lobby and Corridor) on the 10th floor together with 4 car parking spaces on the 2nd floor of the building. The total saleable area of the property (excluding the Lavatory, Lift Lobby and Corridor and the car parking spaces) is approximately 504.60 sq.m. (5,432 sq.ft.).</p> <p>Tsuen Wan Town Lot No. 218 is held under New Grant No. TW5008 for a term of 99 years from 1 July 1898 which has been statutorily extended to 30 June 2047 subject to the payment of annual government rent at 3% of the then rateable value.</p> <p>Tsun Wan Inland Lot No. 36 is held under Conditions of Sale No. UB5156 for a term of 75 years from 1 July 1898 renewed for 24 years which has been statutorily extended to 30 June 2047 subject to the payment of annual government rent at 3% of the then rateable value.</p>	<p>The property is currently owner-occupied by the Group.</p>	<p>HK\$53,310,000</p>

*Notes:*

- (i) The owner of the subject units has the sole and exclusive right and privilege to hold, use, occupy and enjoy in common with the owners of other units on 10th Floor of One Midtown all those of the Lavatory and Lift Lobby and Corridor on 10th Floor of One Midtown, subject to and with the benefit of the Sub-Sub-Deed of Mutual Covenant vide Memorial No. 12111202590158.
- (ii) According to the Land Registry Search conducted on 10 January 2017, the registered owner of the property is Wealthy Strong Investment Limited vide the following Memorial Nos., all dated 30 October 2012:
  - (a) Unit No. 1 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$8,197,291 vide Memorial No. 12112601370121.
  - (b) Unit No. 2 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,671,221 vide Memorial No. 12112601370131.
  - (c) Unit No. 3 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,707,371 vide Memorial No. 12112601370149.
  - (d) Unit No. 5 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,739,706 vide Memorial No. 12112601370152.
  - (e) Unit No. 6 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,732,734 vide Memorial No. 12112601370168.

- (f) Unit No. 7 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,708,832 vide Memorial No. 12112601370174.
  - (g) Unit No. 8 and share of interest of the Lavatory, Lift Lobby and Corridor on 10th floor of One Midtown for a consideration of HK\$3,732,734 vide Memorial No. 12112601370186.
  - (h) Parking Space No. P41 on 2nd floor of One Midtown for a consideration of HK\$740,000 vide Memorial No. 12112601370068.
  - (i) Parking Space No. P59 on 2nd floor of One Midtown for a consideration of HK\$740,000 vide Memorial No. 12112601370071.
  - (j) Parking Space No. P60 on 2nd floor of One Midtown for a consideration of HK\$740,000 vide Memorial No. 12112601370087.
  - (k) Parking Space No. P62 on 2nd floor of One Midtown for a consideration of HK\$740,000 vide Memorial No. 12112601370095.
- (iii) The property is subject to the following encumbrances:
- Re: Unit Nos. 1–3 and 5–8 (including share of interest of the Lavatory, Lift Lobby and Corridor) on 10th Floor of One Midtown
- (a) Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all moneys in respect of general banking facilities vide Memorial No. 12112601370193 dated 30 October 2012.
  - (b) Second Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all moneys in respect of general banking facilities vide Memorial No. 12112601370204 dated 30 October 2012.
- Re: Parking Space Nos. P41, P59, P60 and P62 on 2nd Floor of One Midtown
- (a) Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all moneys in respect of general banking facilities vide Memorial No. 12112601370104 dated 30 October 2012.
  - (b) Second Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all moneys in respect of general banking facilities vide Memorial No. 12112601370110 dated 30 October 2012.
- (iv) The property is zoned as “Other Specified Uses (Business(1))” under Draft Tsuen Wan Outline Zoning Plan No. S/TW/32 dated May 2016.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 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 and its 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 adopted on 21 February 2017 with effect from conclusion of the Board meeting of the Company held on the same date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled. The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect 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 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 Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same,

either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his

appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the 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 Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) 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 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 be those of a country or jurisdiction other than the Cayman Islands.. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid

up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

#### (c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 June 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 paragraphs headed "Documents available for inspection" in Appendix VI 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 THE COMPANY****1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 May 2016. The Company has established a place of business in Hong Kong at Units Nos. 1, 2, 3, 5, 6, 7 and 8, 10th Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and was registered as a registered non-Hong Kong Company under Part 16 of the Companies Ordinance on 4 July 2016. In connection with such registration, Madam Ng has been appointed as an authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum of Association and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of the Company**

The following sets out the changes in the authorised and issued share capital of the Company:

1. The authorised share capital of the Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
2. On 31 May 2016, one nil-paid Share was allotted and issued to the initial subscriber, which was later transferred to Sze's Holdings on the same day.

On 21 February 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares of HK\$0.01 each, each ranking *pari passu* with the Share(s) then in issue in all respects.

3. Pursuant to the Reorganisation and on 17 February 2017, the Company acquired the entire issued share capital of Winson Group HK from Sze's Holdings for the consideration to be satisfied by (i) the issue and allotment of an aggregate of 999,999 new Shares in the Company, credited as fully paid, to Sze's Holdings; and (ii) crediting as fully paid at par the one initial nil-paid subscriber Share transferred to Sze's Holdings.
4. Immediately following completion of the Share Offer, and taking no account of any Share which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, 600,000,000 Shares will be issued fully paid or credited as fully paid, and 9,400,000,000 Shares will remain unissued.
5. Other than pursuant to the general mandate to issue Shares referred to in the paragraphs headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 21 February 2017 and 23 February 2017" in this appendix and pursuant to the Share Option Schemes, the Company does not have any present

intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

6. Save as disclosed in the section headed “Share Capital” in this prospectus and in this paragraph headed “A. Further information about the Company — 2. Changes in share capital of the Company” in this appendix, there has been no alteration in the Company’s share capital since its incorporation.

**3. Written resolutions of the sole Shareholder passed on 21 February 2017 and 23 February 2017**

By written resolutions of the sole Shareholder passed on 21 February 2017:

1. the authorised share capital was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares of HK\$0.01 each;
2. the Articles of Association was adopted; and
3. the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme, the principal terms of which are set out in the paragraphs headed “Share Option Schemes” in this appendix, were conditionally approved and adopted and the Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Pre-IPO Share Option Scheme and the Share Option Scheme, to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of Subscription rights attaching to the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Schemes.

By written resolutions of the sole Shareholder passed on 23 February 2017:

1. conditional on (i) the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - a. the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the Shares then in issue in all respects;
  - b. conditional further on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$4,490,000 standing to the credit of the share premium account of

the Company and to appropriate such sum as capital to pay up in full at par 449,000,000 Shares for issue and allotment to the Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on 23 February 2017, each ranking *pari passu* in all respects with the Shares then in issue and the Directors were authorised to give effect to such capitalisation and distribution and the Capitalisation Issue was approved;

- c. a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme or any other share option scheme of the Company, or pursuant to a specific authority granted by the Shareholders in general meetings, or under the Share Offer or the Capitalisation Issue, the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with the number of Shares of not exceeding 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;
- d. a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares of not exceeding 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- e. the general unconditional mandate as mentioned in sub-paragraph (c) above was extended by the addition to the number of the Shares which may be allotted, issued or dealt with by the Directors pursuant to or in accordance with such general mandate of an amount representing the number of the Shares repurchased

by the Company pursuant to the Repurchase Mandate referred to in subparagraph (d) above provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme.

#### **4. The Reorganisation**

The Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing and the Company became the holding company of the Group. For information relating to the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

#### **5. Changes in share capital of subsidiaries of the Company**

The Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Save as set out in the section headed "History, Development and Reorganisation" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

#### **6. Repurchase by the Company of the own securities**

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of the own securities.

##### ***(a) Provisions of the GEM Listing Rules***

The GEM Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

##### ***(i) Shareholders' approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by the sole Shareholder on 23 February 2017, the Repurchase Mandate was given to the Directors to repurchase the Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options which may be granted

under the Share Option Scheme. The Repurchase Mandate will expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

*(ii) Source of funds*

Repurchases of the Shares, if any, must be paid out of funds legally available for the purpose in accordance with the Articles of Association, the Companies Law and any other laws and regulations applicable to the Company. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Companies Law, any repurchases of Shares by the Company may only be made out of profits of the Company, or from sums standing to the credit of the share premium account of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or from sums standing to the credit of the Company's share premium account, or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit the Company from knowingly repurchasing own securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell the securities to the Company.

***(b) Reasons for repurchases***

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

***(c) Funding of repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

*(d) Material adverse impact*

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

*(e) Exercise of the Repurchase Mandate*

The exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the Listing of the Shares on the Stock Exchange, would result in up to 60,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

*(f) General*

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he/she has a present intention to sell the Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public failing below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of the Group taken as a whole.

- (a) an instrument of transfer dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 8,274,999 shares, representing approximately 99.99% of the issued share capital, of Winson Pest Control to Winson Group HK at a consideration of HK\$1.00;
- (b) an instrument of transfer dated 26 March 2015 entered into between Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) as transferor and Winson Group HK as transferee, pursuant to which Mr. Sze transferred 1 share, representing approximately 0.01% of the issued share capital, of Winson Pest Control to Winson Group HK at nil consideration;
- (c) bought and sold notes dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 8,275,000 shares, representing the entire issued share capital, of Winson Pest Control to Winson Group HK at a consideration of HK\$1.00;
- (d) an instrument of transfer dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 59,999 shares, representing approximately 99.99% of the issued share capital, of Winson Cleaning to Winson Group HK at a consideration of HK\$1.00;
- (e) an instrument of transfer dated 26 March 2015 entered into between Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) as transferor and Winson Group HK as transferee, pursuant to which Mr. Sze transferred 1 share, representing approximately 0.01% of the issued share capital, of Winson Cleaning to Winson Group HK at nil consideration;
- (f) bought and sold notes dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 60,000 shares, representing the entire issued share capital, of Winson Cleaning to Winson Group HK at a consideration of HK\$1.00;
- (g) an instrument of transfer dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 999,999 shares, representing approximately 99.99% of the issued share capital, of Wealthy Strong to Winson Group HK at a consideration of HK\$1.00;

- (h) an instrument of transfer dated 26 March 2015 entered into between Mr. Sze (as trustee who held 1 share on trust in favour of Winson Group Holdings) as transferor and Winson Group HK as transferee, pursuant to which Mr. Sze transferred 1 share, representing approximately 0.01% of the issued share capital, of Wealthy Strong to Winson Group HK at nil consideration;
- (i) bought and sold notes dated 26 March 2015 entered into between Winson Group Holdings as transferor and Winson Group HK as transferee, pursuant to which Winson Group Holdings transferred 1,000,000 shares, representing the entire issued share capital, of Wealthy Strong to Winson Group HK at a consideration of HK\$1.00;
- (j) a sale and purchase agreement dated 17 February 2017 entered into between the Company and Sze's Holdings, pursuant to which Sze's Holdings agreed to sell and the Company agreed to purchase 1 share of US\$1.00 of Winson Group HK, representing the entire issued share capital of Winson Group HK, to be satisfied by (i) the issue and allotment of an aggregate of 999,999 new Shares in the Company, credited as fully paid, to Sze's Holdings; and (ii) crediting as fully paid at par the one initial nil-paid subscriber Share transferred to Sze's Holdings on 31 May 2016;
- (k) an instrument of transfer dated 17 February 2017 between Sze's Holdings as transferor and the Company as transferee in respect of the transfer of one share of US\$1.00 of Winson Group HK for the consideration as referred to in item (j) above;
- (l) the Deed of Indemnity dated 23 February 2017 executed by Sze's Holdings, Rich Cheer, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun in favour of the Company containing indemnities referred to in paragraphs headed "E. Other information — 1. Tax and other indemnities" in this appendix;
- (m) the Deed of Non-competition Undertakings dated 23 February 2017 executed by Sze's Holdings, Rich Cheer, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun in favour of the Company, the principal terms of which are summarised in the section headed "Relationship with the Controlling Shareholders — Deed of Non-Competition Undertakings" of this prospectus; and
- (n) the Public Offer Underwriting Agreement.

## 2. Intellectual property

### (a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Class	Trademark Number	Date of Registration	Expiry Date	Place of Registration	Registered Owner
	37	10630260	14 May 2013	13 May 2023	PRC	永順清潔服務有限公司
	43	10630284	14 March 2014	13 March 2024	PRC	永順清潔服務有限公司
	44	10639386	14 May 2013	13 May 2023	PRC	永順清潔服務有限公司
	3, 5, 35, 36, 37, 39, 40, 41, 45	300264852	9 August 2004	8 August 2024	Hong Kong	Winson Cleaning Service Company Limited

*(b) Domain name*

As at the Latest Practicable Date, the Group had registered the following domain name:

<b>Registrant</b>	<b>Domain Name</b>	<b>Registration Date</b>	<b>Expiry Date</b>
Winson Group Hong Kong Limited	www.winsongrouphk.com	11 January 2017	11 January 2019

Save as disclosed above, there are no other trade or service marks, registered designs, patents or other intellectual or industrial property rights which are material to the business of the Group.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS****1. Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations following the Capitalisation Issue and the Share Offer**

Immediately following completion of the Capitalisation Issue and the Share Offer and taking into no account of any Shares which may be allotted and issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to sections 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, will be as follows:

*(i) Long position in the Shares*

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares/underlying Shares held or interested</b>	<b>Approximate percentage of interest in the Company</b>
Madam Ng	Interest of a controlled corporation; Settlor of a discretionary trust ( <i>Note 1</i> )	450,000,000	75%
Ms. Sze Tan Nei	Beneficiary of a discretionary trust ( <i>Note 2</i> )	450,000,000	75%
Mr. Sze Wai Lun	Beneficiary of a discretionary trust ( <i>Note 3</i> )	450,000,000	75%
Mr. Ang Ming Wah	Beneficial owner ( <i>Note 4</i> )	64,000	0.011%

## (ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares held or interested	Percentage of interest
Madam Ng	Sze's Holdings	Interest of a controlled corporation; Settlor of a discretionary trust	1	100%
Madam Ng	Rich Cheer	Beneficial owner	1	100%
Ms. Sze Tan Nei	Sze's Holdings	Beneficiary of a discretionary trust	1	100%
Mr. Sze Wai Lun	Sze's Holdings	Beneficiary of a discretionary trust	1	100%

*Notes:*

- All the 450,000,000 Shares are beneficially owned by Sze's Holdings, which is in turn held by Rich Cheer acting as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust set up by Madam Ng as settlor and Rich Cheer as trustee on 8 January 2015. The beneficiaries of the Sze Family Trust include, inter alia, Mr. Sze Wai Lun and Ms. Sze Tan Nei. Madam Ng is the settlor of the Sze Family Trust and the sole director of Sze's Holdings and therefore Madam Ng is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO. Madam Ng is also the sole director and shareholder of Rich Cheer.
- Ms. Sze Tan Nei is the daughter of Mr. Sze and Madam Ng. Ms. Sze Tan Nei is one of the beneficiaries of the Sze Family Trust and therefore she is deemed or taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO.
- Mr. Sze Wai Lun is the son of Mr. Sze and Madam Ng. Mr. Sze Wai Lun is one of the beneficiaries of the Sze Family Trust and therefore he is deemed and taken to be interested in all the 450,000,000 Shares beneficially owned by Sze's Holdings for the purposes of the SFO.
- Mr. Ang Ming Wah is interested in 64,000 Shares which may be allotted and issued to him upon full exercise of all options granted to him under the Pre-IPO Share Option Scheme.

**2. Interests and short positions of Substantial Shareholders in the Shares and underlying Shares of the Company and its associated corporations following the Capitalisation Issue and the Share Offer**

Immediately following completion of the Capitalisation Issue and the Share Offer and taking into no account of any Shares which may be allotted and issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, will have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held or interested</b>	<b>Percentage of interest in the Company</b>
Sze's Holdings	Beneficial owner ( <i>Note 1</i> )	450,000,000	75%
Rich Cheer	Interest of controlled corporation as the trustee of the Sze Family Trust ( <i>Note 2</i> )	450,000,000	75%

*Notes:*

1. Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme), Sze's Holdings will hold 450,000,000 Shares, representing 75% of the issued share capital of the Company.
2. The entire issued share capital of Sze's Holdings is held by Rich Cheer as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust established by Madam Ng. The beneficiaries of the Sze Family Trust include, inter alia, Mr. Sze Wai Lun and Ms. Sze Tan Nei. By virtue of the provisions of Part XV of the SFO, Rich Cheer is deemed or taken to be interested in all the Shares beneficially owned by Sze's Holdings.

### 3. Particulars of Directors' service agreements and letters of appointment

#### (a) Executive Directors

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects other than the amount of salary and one-off bonus. Each service agreement is for an initial term of three years with effect from the Listing Date unless terminated by not less than three months written notice to the other party or otherwise in accordance with the terms of the service agreement. Under the service agreements, the initial annual salary payable to the executive Directors is as follows:

Name	HK\$
Madam Ng	3,276,000
Ms. Sze Tan Nei	2,624,400
Mr. Sze Wai Lun	982,800
Mr. Ang Ming Wah	1,352,400

Conditional upon the Listing, Mr. Ang Ming Wah as an executive Director is entitled to a one-off bonus in the sum of HK\$1,000,000 which will be paid to him by the end of April 2017. Each of the executive Directors is entitled to a discretionary bonus to be recommended by the remuneration committee of the Company and determined by the Board, the amount of which is to be determined with reference to the operating results of the Group and the performance of the relevant executive Director. Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary, discretionary bonus and annual salary increment payable/entitled to himself/herself.

#### (b) Independent Non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material aspects. Each letter of appointment is for an initial term of three years commencing from the Listing Date unless terminated by not less than three months written notice to the other party or otherwise in accordance with the terms of the letter of appointment. The annual director's fee payable to the independent non-executive Directors under each of the letters of appointment is as follows:

Name	HK\$
Mr. Yuen Ching Bor Stephen	240,000
Mr. Chung Koon Yan	240,000
Mr. Ma Kwok Keung	240,000
Mr. Wong Yat Sum	240,000
Mr. Chan Chun Sing	240,000

Save for the annual director's fees mentioned above, none of the independent non-executive Directors is entitled to receive any other remuneration for holding his office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

*(c) Directors' remuneration*

The aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind and retirement scheme contribution granted by the Group to the Directors for the two years ended 31 March 2015 and 2016 and the five months ended 31 August 2016 was approximately HK\$4,338,000, HK\$7,388,000 and HK\$2,941,000 respectively.

Under the arrangements currently proposed, the aggregate remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors for the year ending 31 March 2017 will be approximately HK\$7,803,753.

#### **4. Agency fees or commissions received**

Information on the agency fees or commissions payable to the Underwriters is set out in the section headed "Underwriting" in this prospectus.

Save as disclosed in this prospectus, none of the Directors or experts (as named in the paragraphs headed "E. Other information — 8. Consents of experts" in this appendix) received or will be entitled to receive any commissions, discounts, brokerages or other special terms in connection with the issue of any share or loan capital of any member of the Group within two years immediately preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out in note 30 of Appendix I to this prospectus.

#### **6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under

the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group;

- (b) none of the Directors or chief executive of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of the Directors nor the experts named in the paragraphs headed “E. Other information — 7. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor the experts named in the paragraphs headed “E. Other information — 7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and
- (e) so far is known to the Directors, none of the Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

## **D. SHARE OPTION SCHEMES**

### **1. Pre-IPO Share Option Scheme**

#### *Summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution to the Group by an executive Director and certain employees of the members of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the sole Shareholder passed on 21 February 2017, are substantially the same as the terms of the Share Option Scheme except for the following:

- (a) the purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group;

- (b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 192,000, representing (i) approximately 0.03% of the total issued Shares immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (ii) approximately 0.03% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);
- (c) the exercise price for the Shares under the Pre-IPO Share Option Scheme equals to the Offer Price;
- (d) subject to the following vesting periods, any option granted under the Pre-IPO Share Option Scheme will be exercisable commencing on the day falling on the Listing Date and ending on the day immediately before the tenth anniversary of the Listing Date. All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner:

<b>Maximum number of Shares under the option exercisable</b>	<b>Period for exercise of the relevant option</b>
50% of the option granted	at any time on or after the Listing Date to the date immediately before the tenth anniversary of the Listing Date
50% of the option granted	at any time on or after the date falling on the first anniversary of the Listing Date to the date immediately before the tenth anniversary of the Listing Date

All the options granted under the Pre-IPO Share Option Scheme will not be exercisable prior to the Listing Date; and

- (e) the Pre-IPO Share Option Scheme will remain in force for a period commencing on the date on which the Pre-IPO Share Option Scheme is adopted by the sole Shareholder and ending on the day immediately before the Latest Practicable Date, after which period no further options will be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

All options were conditionally granted to the grantees. An application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

*Outstanding options granted under the Pre-IPO Share Option Scheme*

Options to subscribe for an aggregate of 192,000 Shares (representing (i) approximately 0.03% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) and (ii) approximately 0.03% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK\$1.00 per grant. Particulars of the options granted under the Pre-IPO Share Option Scheme to employees and executive director of the members of the Group are set out below. Save as disclosed below, no Directors, substantial Shareholders or other connected persons (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries or their respective associates have been granted options under the Pre-IPO Share Option Scheme.

Options to subscribe for an aggregate of 192,000 Shares were conditionally granted to the following grantees under the Pre-IPO Share Option Scheme:

<b>Name and position of grantee in the Group</b>	<b>Address</b>	<b>No. of Shares subject to the option</b>	<b>Approximate percentage of issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer<sup>(Note)</sup></b>
Ang Ming Wah <i>Executive Director</i>	Flat B, 21/F, Champion Court, 11 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong	64,000	0.011

Name and position of grantee in the Group	Address	No. of Shares subject to the option	Approximate percentage of issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer <sup>(Note)</sup>
Chow Kai Chi <i>Finance manager</i>	Rm 3010, Chun King House, King Shing Court, Fanling, New Territories, Hong Kong	32,000	0.005
Leung Chi Kong <i>Senior operations manager</i>	Flat C, 20/F, 17 Glee Path, Mei Foo Sun Chuen, Lai Chi Kok, New Territories, Hong Kong	24,000	0.004
Cheng Wai Ming <i>Senior operations manager</i>	Flat B, 14/F, Ka Fook Court, 2-12 Ka Wo St., Aberdeen, Hong Kong	24,000	0.004
Yip Yuk Wai <i>Senior operations manager</i>	Rm 516, Chung Kwan House, Chung On Est, Ma On Shan, Shatin, New Territories, Hong Kong	24,000	0.004
Tai Lee Fat <i>Senior operations manager</i>	Flat 1706, Wah Yin House, Wah Kwai Estate, Aberdeen, Hong Kong	24,000	0.004

Dilution impact of Pre-IPO Share Option Scheme would not materially affect the shareholding structure as the total number of Shares which may be issued and allotted upon exercise of all options granted under the Pre-IPO Share Option Scheme shall be 192,000 Shares, representing approximately 0.03% of the enlarged issued share capital of the

Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be issued upon exercise of options which may be granted under the Share Option Scheme).

*Note: These percentages are calculated on the basis of 600,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming full exercise of all options which have been granted under the Pre-IPO Share Option Scheme but without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme.*

## 2. Share Option Scheme

### 1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	21 February 2017, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	the Company and its subsidiaries from time to time
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

### 2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 21 February 2017:

#### (a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

*(b) Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant, adviser, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

*(c) Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

For the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

*(d) Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

*(e) Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 60,000,000 Shares (or such

numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) The Company may seek separate approval from the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

(f) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price)

of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(g) Grant of options to certain connected persons*

- (i) Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company in any 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1% of the Shares in issue; and
  - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of the Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

*(h) Restrictions on the times of grant of options*

- (i) The Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

- (b) the last day on which the Company shall publish an announcement of the results for any year, half-year or quarter-year period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of the Company are published:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

*(i) Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

*(j) Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

*(k) Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

*(l) Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(m) Rights on cessation of by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(n) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

*(o) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of the Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of the Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the date of resignation (in the case of employee) or the date of cessation of such engagement of a consultant or an adviser (as the case may be) (which date will be the last actual day of providing consultancy or advisory services to the relevant member of the Group).

*(p) Effects of alterations to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the

Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(q) Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(r) Rights on winding-up*

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(s) Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in

respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of the officers.

(t) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which the Board exercises the Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of the Company;
- (v) in the event that the grantee is an employee of the Group when an offer is made to him/her and he/she subsequently ceases to be an employee of the Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, the date of cessation of his/her employment

with the Group. A resolution of the Board or the board of directors of the relevant member of the Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (t)(v) shall be conclusive and binding on the grantee;

- (vi) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vii) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group; or
- (viii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

*(u) Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

*(v) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

*(w) Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(x) *Termination to the Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**3. *Present status of the Share Option Scheme***

Application has been made to the Stock Exchange for the listing of and permission to deal in 60,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Each of Sze's Holdings, Rich Cheer, Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun pursuant to the Deed of Indemnity referred to in the paragraphs headed "B. Further information about the business of the Group — 1. Summary of material contracts" in this appendix, has given joint and several indemnities to the Company for itself and as trustee for the subsidiaries in respect of, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of the Group under or by virtue of the provisions of Section 35 and/or Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of the Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of the Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional;

- (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether civil, criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of the Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and
- (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of the Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of the Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited combined financial statements of the Company or any other member of the Group for the Track Record Period (if any).

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of the Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of the Group after 31 August 2016 up to and including the date of which the Share Offer becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on the Company or any of its subsidiaries.

## **2. Litigation**

Save as disclosed in the section headed “Business — Litigation and claims” in this prospectus, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## **3. Sponsor**

The Sponsor has made an application for and on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be

allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme.

The Sponsor will receive a fee of approximately HK\$5.5 million to act as sponsor to the Company in connection with the Share Offer, and the Sponsor has confirmed to the Stock Exchange that it is independent pursuant to Rule 6A.07 of the GEM Listing Rules.

#### **4. Compliance Adviser**

In accordance with the requirements of the GEM Listing Rules, the Company has appointed the Sponsor as the Compliance Adviser to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with the GEM Listing Rules in respect of the financial results for the second full financial year ending 31 March 2019.

#### **5. Preliminary expenses**

The preliminary expenses of the Company are approximately HK\$46,000 and are payable by the Company.

#### **6. Promoter**

The Company has no promoter for the purpose of the GEM Listing Rules.

#### **7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Peak Vision Appraisals Limited	Property Valuer
Frost & Sullivan Limited	Professional market research company
Mr. Tsui Raymond Wai-Nam	Property Legal Counsel
Mr. Chan Chung	Company Legal Counsel

Name	Qualification
BDO Financial Services Limited	Internal Control Adviser

#### 8. Consents of experts

Each of the above-mentioned experts has given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their letters, reports, opinion and/or summary thereof (as the case may be) and/or references to their names included herein in the form and context in which they respectively appear.

None of the above-mentioned experts has any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 9. Binding Effect

This prospectus shall have the effect, if application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### 10. Taxation of holders of Shares

##### (a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the 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.

##### (b) Cayman Islands

Under the Cayman Islands laws currently in force, there is no stamp duty payable in the Cayman Islands on transfers of Shares other than for companies that hold land in the Cayman Islands.

##### (c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer will 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.

**11. Miscellaneous**

- (a) Save as disclosed herein:
  - (i) within the two years immediately preceding the date of this prospectus:
    - (aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
    - (bb) no commissions, discounts, brokerages (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
    - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of the Company or any of its subsidiaries.
  - (ii) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
  - (iii) The Directors confirm that there has been no material adverse change in the financial position or trading position or prospects of the Group since 31 August 2016.
  - (iv) The Directors confirm that there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus.
  - (v) No founders shares, management shares or deferred shares in the Company or any of its subsidiaries have been issued or agreed to be issued.
  - (vi) No securities of the Company or any of its subsidiaries is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought.
  - (vii) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
  - (viii) Subject to the provisions of the Companies Law, the principal register of members of the Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the

Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

## **12. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) copies of the written consents as referred to in the paragraphs headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus; and (c) copies of the material contracts as referred to in the paragraphs headed “B. Further information about the business of the Group — 1. Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Cheung & Choy at Room 417–418, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the Accountant’s Report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of the Group during the Track Record Period;
4. the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
5. the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by Peak Vision Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;
6. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Companies Law as referred to in Appendix IV to this prospectus;
7. the Companies Law;
8. the rules of the Pre-IPO Share Option Scheme and Share Option Scheme;
9. the material contracts as referred to in the paragraphs headed “B. Further information about the business of the Group — 1. Summary of material contracts” in Appendix V to this prospectus;
10. the service agreements and letters of appointment as referred to in the paragraphs headed “C. Further information about Directors and substantial shareholders — 3. Particulars of Directors’ service agreements and letters of appointment” in Appendix V to this prospectus;
11. the written consents as referred to in the paragraphs headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus;

12. the research report prepared by Frost & Sullivan as referred to in the section headed “Industry Overview” of this prospectus;
13. the legal advice prepared by Mr. Tsui Raymond Wai-Nam;
14. the legal opinions prepared by Mr. Chan Chung;
15. the reports prepared by BDO Financial Services Limited on safety control measures.



**WINSON HOLDINGS HONG KONG LIMITED**  
**永順控股香港有限公司**