

Prime Intelligence Solutions Group Limited 匯安智能科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8379

SHARE OFFER

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers

AmCap
Ample Orient Capital Limited
豐盛東方資本有限公司

 **Pacific
Foundation**

Co-Lead Managers

 匯福證券
HF Securities

AFG 高鈺

IMPORTANT

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

Prime Intelligence Solutions Group Limited

匯安智能科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 200,000,000 Shares (Subject to Offer Size Adjustment Option)
Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)
Number of Placing Shares : 180,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.27 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : HK\$0.01 each
Stock Code : 8379

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

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

The Offer Price is expected to be determined by agreement between the Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on or about Wednesday, 7 February 2018 and, in any event, not later than 5:00 p.m. on Monday, 12 February 2018. The Offer Price will be not more than HK\$0.35 per Offer Share and is currently expected to be not less than HK\$0.27 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.35 per Offer Share.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the Company's consent, reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sebiotec.com as soon as practicable but in any event, not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 12 February 2018, the Share Offer will not proceed and will lapse.

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

Pursuant to certain provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Joint Bookrunners (acting for themselves and on behalf of the Public Offer Underwriters) have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on Wednesday, 14 February 2018. Further details of the terms of such provisions are set out in "Underwriting" in this prospectus. It is important that you refer to that section for further details.

No information on any website forms part of this prospectus.

30 January 2018

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 gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE^(Note 1)

If there is any change in the following expected timetable, the Company will issue an announcement on the website of the Company at www.sebiotec.com and the website of the Stock Exchange at www.hkexnews.hk.

2018

Latest time to complete electronic applications under
HK eIPO White Form service through the designated
 website at www.hkeipo.hk ^(Note 2) 11:30 a.m. on Friday, 2 February

Application lists for Public Offer open ^(Note 3) 11:45 a.m. on Friday, 2 February

Latest time to complete payment of **HK eIPO White Form**
 applications by effecting internet banking transfer(s) or
 PPS payment transfer(s) 12:00 noon on Friday, 2 February

Latest time for lodging **WHITE** and **YELLOW**
 Application Forms 12:00 noon on Friday, 2 February

Latest time to give **electronic application instructions**
 to HKSCC ^(Note 4) 12:00 noon on Friday, 2 February

Application lists for Public Offer close ^(Note 3) 12:00 noon on Friday, 2 February

Expected Price Determination Date on or before ^(Note 5) Wednesday, 7 February

Announcement of the final Offer Price, indication of the levels of interest
 in the Placing, the levels of applications of the Public Offer, the basis of
 allocation and the results of applications in the Public Offer to be published
 on the Company's website at www.sebiotec.com and the website of the
 Stock Exchange at www.hkexnews.hk on or before Tuesday, 13 February

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 www.sebiotec.com and the website of the Stock Exchange at
www.hkexnews.hk (for further details, please see
 "How to apply for Public Offer Shares — 11. Publication of results"
 in this prospectus) on or before Tuesday, 13 February

Results of allocations in the Public Offer will be available at
www.tricor.com.hk/ipso/result with a "search by ID" function on Tuesday, 13 February

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment
 instructions/refund cheques in respect of wholly or partially successful
 applications if the final Offer Price is less than the price payable on
 application (if applicable) and wholly or partially unsuccessful
 applications pursuant to the Public Offer on or about ^(Notes 7 to 11) Tuesday, 13 February

EXPECTED TIMETABLE^(Note 1)

2018

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or about ^(Notes 6 to 8 and 10) Tuesday, 13 February

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Wednesday, 14 February

The application for the Public Offer Shares will commence on Tuesday, 30 January 2018 through Friday, 2 February 2018. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 13 February 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 14 February 2018.

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 “Structure and Conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 February 2018, the application lists will not open on that day. For further details, please see “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 7 February 2018. If, for any reason, the Offer Price is not agreed on or before 5:00 p.m. Monday, 12 February 2018 between the Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares are expected to be issued on or about Tuesday, 13 February 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 14 February 2018 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.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms or through the **HK eIPO White Form** service (as the case may be) who have provided all information required in their relevant Application Forms that they may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 February 2018 or any other day as announced by us as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques.

EXPECTED TIMETABLE^(Note 1)

8. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible 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 authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.
10. 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 "How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.
11. Refund cheques/e-Auto Refund payment instructions 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\$0.35 per Offer Share.

For details of the structure of the Share Offer, including conditions of the Share Offer, applicants shall refer to "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 or 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 Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Sponsor and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer.

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SUMMARY

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

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

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group markets itself using the brand “Solution Expert”. According to the Ipsos Report, the Group is the top biometrics identification device distributor in Hong Kong and Macau in terms of the biometrics identification device distribution value in 2016 with market share of approximately 11.0%. During the Track Record Period, the Group generated approximately HK\$46.2 million, HK\$49.6 million and HK\$20.4 million revenue from Hong Kong, representing approximately 78.3%, 78.1%, and 83.5%, of the total revenue during the respective year/period.

The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group’s biometrics identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification. The Group has no manufacturing activity and all biometrics identification devices sold are sourced from various suppliers. These biometrics identification devices are designed to grant users access to a venue by identifying the users. The Group also sells other devices and accessories such as security gate systems, smart card products, RFID devices, hand-held devices or PDA and surveillance systems.

For provision of auxiliary and other services, the Group mainly derives revenue from (i) service income by providing installation services, solution services and maintenance services; and (ii) software licensing income in relation to the provision of standard solutions. Standard solutions refer to the standardised and ready-to-use modules of “Time Expert” while solutions services involve (i) tailor-made modification solutions referring to modified “Time Expert” based on customers’ requests; and (ii) tailor-made solutions referring to newly developed solutions based on customers’ specific operational needs, such as a limousine tracking system provided by the Group during the Track Record Period. The Group provides in general up to one year free warranty and standard maintenance services after delivery^(Note) for products sold in Hong Kong and Macau, and generates service income from the provision of maintenance services. In the PRC, the Group generally provides free warranty after-sales services for up to one year to customers. During the Track Record Period, the Group generated revenue of (i) approximately HK\$5.4 million, HK\$6.9 million and HK\$2.5 million respectively from the provision of installation services; (ii) approximately HK\$0.4 million, HK\$1.6 million and HK\$1.0 million respectively from the provision of solution services; and (iii) approximately HK\$9.7 million, HK\$10.5 million and HK\$3.5 million respectively from the provision of maintenance services.

Note: Warranty does not include any abnormal use or operation, consumable parts and equipment not provided by the Group.

SUMMARY

As part of the biometrics identification solutions, “Time Expert” was developed by the Group to be typically applied in access control and attendance management by using the Group’s biometrics identification devices or other card system devices.

The following table sets forth the Group’s revenue, gross profit and gross profit margin by nature and by product type for the years/periods indicated:

	For the year ended 31 March						For the four months ended 31 July					
	2016			2017			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
							(unaudited)	(unaudited)	(unaudited)			
Sales of products												
Biometrics identification devices	25,877	13,490	52.1	24,324	11,721	48.2	8,691	4,215	48.5	9,346	4,455	47.7
Other devices and accessories	14,352	8,040	56.0	16,501	9,426	57.1	5,208	2,520	48.4	6,758	4,558	67.4
Provision of auxiliary and other services												
Service income	15,459	10,844	70.2	19,009	13,245	69.7	5,228	3,409	65.2	6,919	4,861	70.3
Software licensing income	2,499	2,499	100.0	3,234	3,234	100.0	745	745	100.0	1,316	1,316	100.0
Others	878	815	92.8	454	391	86.1	230	209	90.9	59	38	64.5
Overall	59,065	35,688	60.4	63,522	38,017	59.8	20,102	11,098	55.2	24,398	15,228	62.4

The Group generated stable revenue from sales of biometrics identification devices of approximately HK\$25.9 million, HK\$24.3 million, HK\$8.7 million and HK\$9.3 million for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 respectively. The following table sets forth the sales volume and the sales breakdown of the Group’s major biometrics identification devices by function for the years/periods indicated:

	For the year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Unit	HK\$'000	Unit	HK\$'000	Unit	HK\$'000	Unit	HK\$'000
	(Note)		(Note)		(Note)		(Note)	
Face								
— 3D face	14	510	20	738	—	—	—	—
— 2D face	114	829	115	819	24	174	61	384
Iris	21	494	17	405	2	44	18	416
Fingerprint								
— with touchscreen function	23	216	17	179	8	91	4	32
— without touchscreen function	2,433	9,495	3,000	11,071	1,351	4,974	1,235	5,355
Hand geometry	699	14,258	597	11,032	185	3,408	172	3,159
Finger vein	7	75	7	80	—	—	—	—
	3,311	25,877	3,773	24,324	1,570	8,691	1,490	9,346

Note: For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, there were nil, seven, nil and nil biometrics identification devices sold, respectively, with both fingerprint and finger vein identification functions which were counted as finger vein identification devices only.

SUMMARY

The following table sets forth the average selling prices of the Group's major biometrics identification devices by function for the years/periods indicated:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$
			(unaudited)	
Face				
— 3D face	36,437	36,917	N/A	N/A
— 2D face	7,269	7,121	7,234	6,292
Iris	23,501	23,831	22,277	23,112
Fingerprint				
— with touchscreen function	9,368	10,538	11,327	8,079
— without touchscreen function	3,903	3,690	3,682	4,336
Hand geometry	20,397	18,478	18,424	18,364
Finger vein	10,824	11,452	N/A	N/A

Note: The average selling prices of the major biometrics identification devices were stable during the two years ended 31 March 2017. For the four months ended 31 July 2016 and 2017, the decrease in the average selling price of the major biometrics identification devices with 2D face identification function of approximately 13.0% was mainly a result of more sales of biometrics identification devices with 2D face identification function at lower unit prices. The decrease in the average selling price of fingerprint identification devices with touchscreen function of approximately 28.7% for the four months ended 31 July 2017 was mainly because of the different selling prices offered to different type of customers. The sales of the fingerprint identification devices with touchscreen function for the four months ended 31 July 2017 were mainly made to system integrators while the sales of the fingerprint identification devices with touchscreen function for the four months ended 31 July 2016 were mainly made to end-users for which the Group was able to charge a higher price.

SUMMARY

The following table sets forth the breakdown of the Group's revenue from sales of other major devices and accessories for the years/periods indicated:

	Year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Turnstile	3,935	4,548	1,725	501
Handheld device	1,417	2,653	403	3,193
Smart card reader and smart card	3,576	3,677	1,679	465
Charger	1,015	1,128	383	582
Gate of vehicles barrier	896	447	220	98
Cable	786	955	255	216
Computer equipment	785	665	22	127
CCTV	722	518	164	146
Handheld device accessories	—	769	55	1,141
Others (Note)	<u>1,220</u>	<u>1,141</u>	<u>302</u>	<u>289</u>
	<u>14,352</u>	<u>16,501</u>	<u>5,208</u>	<u>6,758</u>

Note: Others mainly include but not limited to alarm, door lock, access controller and point of sales scanner.

The following table sets forth the sales volume and average selling price of the Group's other major devices and accessories for the years/periods indicated:

	For the year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Unit	HK\$	Unit	HK\$	Unit	HK\$	Unit	HK\$
	(unaudited)							
Sales volume and average selling price								
Turnstile	225	17,491	219	20,766	67	25,743	35	14,321
Handheld device	125	11,334	488	5,436	60	6,718	656	4,867
Smart card reader	753	2,745	705	3,119	259	4,713	53	3,487
Smart card	140,632	11	114,140	13	29,720	15	25,360	11
Charger	911	1,114	1,040	1,085	331	1,156	484	1,203
Gate of vehicles barrier	69	12,992	35	12,761	17	12,947	9	10,822
Cable	239	3,289	322	2,966	119	2,143	66	3,269
Computer equipment	36	21,794	24	27,699	1	22,080	23	5,536
CCTV	137	5,273	102	5,076	26	6,312	36	4,048
Handheld device accessories	—	—	235	3,271	15	3,656	509	2,241
Others (Note)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Others mainly include but not limited to alarm, door lock, access controller and point of sales scanner.

SUMMARY

For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, the average contract size of service income generated was approximately HK\$6,600, HK\$7,600, HK\$5,200 and HK\$6,000 respectively while the average contract size of software licensing income generated was approximately HK\$5,700, HK\$7,800, HK\$5,700 and HK\$6,400 respectively.

COMPETITIVE ADVANTAGES

The Directors consider that the Group operates in markets which have potential and steady growth and believe the Group will benefit from the growing demand for relevant services from its potential customers. The Directors believe that the following competitive advantages are the key factors to the Group's success and will enable the Group to further develop its business in the future: (i) experienced management and professional team; (ii) various functions of biometrics identification devices to meet the needs of different customers; (iii) extensive customer base with a variety of industries; (iv) established long business relationship with major customers; and (v) leading position in Hong Kong and Macau market particularly in the construction industry segment.

PROCUREMENT AND SUPPLIERS

The Group sources various biometrics identification devices, other devices and accessories from different suppliers which are mostly device manufacturers. The Group's products are mainly manufactured in the USA, Republic of Korea, France and the PRC. During the Track Record Period, the Group had more than 100 suppliers. The Group's top five suppliers accounted for approximately 80.4%, 81.5% and 72.3% of the Group's total purchases respectively, whereas the largest supplier accounted for approximately 36.3%, 39.6% and 33.1% of the Group's total purchases for the two years ended 31 March 2017 and the four months ended 31 July 2017, respectively.

SALES AND CUSTOMERS

The Group's customers are classified as (i) end-users; (ii) system integrators; and (iii) resellers. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$43.2 million, HK\$44.6 million and HK\$17.4 million revenue was derived from end-user customers, representing approximately 73.1%, 70.3% and 71.3% of the Group's revenue respectively. Many of the Group's end-user customers are construction companies in Hong Kong and Macau. During the Track Record Period, the Group derived revenue of approximately HK\$38.2 million, HK\$38.7 million and HK\$15.6 million from construction companies in Hong Kong and Macau respectively, representing approximately 64.6%, 60.9% and 63.8% of the Group's total revenue respectively.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following table summarises the combined results and other financial information for the years/ periods indicated. Please refer to the Accountants' Report set out in Appendix I to this prospectus for further details.

Highlights of Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i>
Revenue	59,065	63,522	20,102	24,398
Other income	56	94	1	118
Profit before tax	15,652	16,428	4,033	5,945
Net Profit	13,049	13,524	3,310	4,604
Total comprehensive income for the year/ period attributable to the owners of the Company	12,835	13,124	3,148	4,788

Highlights of Combined Statements of Financial Position

	At 31 March		At 31 July
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net assets	29,105	34,229	39,017
Net current assets	28,697	33,300	38,072

SUMMARY

Highlights of Combined Statements of Cash Flows

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Cash flow generated from operating activities before changes in working capital and tax paid	<u>16,107</u>	<u>17,263</u>	<u>4,229</u>	<u>6,052</u>
Net cash generated from operating activities	8,412	8,130	5,920	2,936
Net cash used in investing activities	(310)	(1,010)	(1,053)	(83)
Net cash (used in)/generated from financing activities	<u>(3,383)</u>	<u>(14,402)</u>	<u>(8,214)</u>	<u>188</u>
Net increase/(decrease) in cash and cash equivalents	4,719	(7,282)	(3,347)	3,041
Cash and cash equivalents at beginning of the year/period	14,885	19,564	19,564	12,218
Effect of foreign exchange rate changes	<u>(40)</u>	<u>(64)</u>	<u>(29)</u>	<u>17</u>
Cash and cash equivalents at end of the year/period	<u><u>19,564</u></u>	<u><u>12,218</u></u>	<u><u>16,188</u></u>	<u><u>15,276</u></u>

The following table sets out the summary of cost of sales by nature for the years/periods indicated:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Inventories sold	19,179	20,683	7,473	7,265
Depreciation of the biometrics identification solutions	63	63	21	21
Wages and staff costs	3,091	3,799	1,203	1,478
Subcontracting fee	<u>1,044</u>	<u>960</u>	<u>307</u>	<u>406</u>
	<u><u>23,377</u></u>	<u><u>25,505</u></u>	<u><u>9,004</u></u>	<u><u>9,170</u></u>

SUMMARY

The following table sets out a summary of the Group's key financial ratios for the Track Record Period. For more detailed information, please refer to the "Financial Information — Other key financial ratios" in this prospectus.

	As at/For the year ended		As at/For the period ended
	31 March		31 July
	2016	2017	2017
Gross margin	60.4%	59.8%	62.4%
Net profit margin	22.1%	21.3%	18.9%
Return on equity	44.8%	39.5%	11.8%
Debt to equity ratio	0%	0%	0%
Inventory turnover days (<i>Note 1</i>)	171.0 days	255.6 days	266.9 days
Debtors' turnover days	76.4 days	55.6 days	62.0 days
Gearing ratio (<i>Note 2</i>)	9.9%	4.4%	4.3%

Notes:

- (1) The increase in the inventory turnover days for the year ended 31 March 2017 was mainly due to (i) the bulk purchase discount and promotion offered by Supplier A; and (ii) new models launched by Supplier B that the product model base was widened.

The inventory turnover days increased for the four months ended 31 July 2017 mainly due to the increase in the inventory of different models of Supplier B's products as at 31 July 2017 because (i) new models may take a longer while to build up market reception; and (ii) in view of the relatively long delivery lead time and the wide product range, different models of Supplier B's products were maintained in order to timely respond to customers' need from different industries.

- (2) Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings and finance lease obligations.

LISTING EXPENSES AND RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

The Group expects the listing expenses (including but not limited to underwriting commission) to be approximately HK\$21.8 million (based on an Offer Price of HK\$0.31 per Offer Share, being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share, and assuming the Offer Size Adjustment Option is not exercised). Listing expenses of approximately HK\$1.2 million, HK\$1.8 million and HK\$2.7 million were charged to the Group's profit or loss account for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. The listing expenses to be recognised before or upon Listing is expected to be approximately HK\$16.1 million, of which approximately HK\$5.1 million and approximately HK\$11.0 million will be recognised in equity and as an expense in the profit or loss account of the Group for the year ending 31 March 2018 respectively. As at 31 July 2017, approximately HK\$5.5 million was recognised as prepayments in relation to the listing expenses. The Directors believe that there will be an increase in administrative and other expenses as a result of the Listing, which together with the recognition of the listing expenses will adversely affect the Company's financial performance for the year ending 31 March 2018.

SUMMARY

Based on the Group's unaudited management accounts, for the five months ended 31 December 2017 after the Track Record Period, the Group recorded average monthly revenue of approximately HK\$6.0 million, which decreased slightly by approximately 2.0% compared with the average monthly revenue of approximately HK\$6.1 million for the four months ended 31 July 2017. From August 2017 to the Latest Practicable Date, the Group has obtained sales orders and maintenance contracts of approximately HK\$32.6 million.

Some unaudited financial information of the Group, including the Group's revenue for the five months ended 31 December 2017, the Group's assets and liabilities as at 30 November 2017, are derived from the Group's unaudited condensed combined financial statements prepared by the Directors in accordance with the Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the HKICPA, which were reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. The Group's indebtedness information as at 30 November 2017 derived from its statement of indebtedness and contingent liabilities as prepared by the Directors are reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed — upon Procedures Regarding Financial Information" issued by the HKICPA.

Save for the above, the Directors confirm that there has been no material adverse change in the financial, operational or trading position or the prospect of the Group since 31 July 2017, being the date of the Group's latest audited financial statements as set out in Appendix I to this prospectus, and up to the date of this prospectus.

DIVIDENDS

During the Track Record Period, (i) Power Truth declared dividends of approximately HK\$26.5 million during the year ended 31 March 2016, which were settled by the Group from May 2015 to July 2016; and (ii) the Company declared interim dividends of HK\$8.0 million during the year ended 31 March 2017, which were settled by the Group during the year ended 31 March 2017, using internally generated funds. The Group does not have any predetermined dividend payout ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, the Controlling Shareholders, namely Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View, will be interested in 45.75% of the Company's entire issued share capital. By a confirmatory deed dated 30 November 2015, Mr. Tony Yuen and Ms. Pauline Yuen confirmed that they had been and would continue to be acting in concert in relation to the Group's business, and Ms. Pauline Yuen would exercise her voting rights in the Group according to Mr. Tony Yuen's directions and instructions.

SUMMARY

SHAREHOLDERS' INFORMATION

Super Arena is a company incorporated in Seychelles on 22 April 2015 with limited liability and Delighting View is a company incorporated in the BVI on 2 July 2015 with limited liability. After completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised at all), Super Arena and Delighting View will beneficially own 29.25% and 45.75% of the entire issued share capital of the Company respectively. Super Arena is owned as to 70% by Mr. Kor, 15% by Mr. Chou and 15% by HF Fund, while Delighting View is owned as to 85% by Mr. Tony Yuen and 15% by Ms. Pauline Yuen. Please refer to “History, Development and Reorganisation” in this prospectus for further details.

USE OF PROCEEDS

The Directors consider that net proceeds from the Share Offer are crucial for financing the Group's business strategies. Details of the Group's corporate strategies and business plans are set forth in “Business Objectives and Strategies — Implementation plans” in this prospectus. The Directors estimate that the net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by the Company in connection with the Share Offer) will be approximately HK\$40.2 million based on an Offer Price of HK\$0.31 per Offer Share (being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share), assuming the Offer Size Adjustment Option is not exercised. It is at present intended that the net proceeds will be applied as follows:

Plan	Approximate amount of net proceeds		
	Offer Price of HK\$0.27 per Offer Share <i>HK\$ million</i>	Offer Price of HK\$0.31 per Offer Share <i>HK\$ million</i>	Offer Price of HK\$0.35 per Offer Share <i>HK\$ million</i>
Expanding the business in Southern China			
— launch of affordable locally manufactured fingerprint identification devices	11.6	14.3	17.0
— enhancement of the quality of after-sales services and strengthening of the operation support	3.7	4.6	5.5
Improving the information technology system	3.6	4.5	5.4
Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software	11.1	13.7	16.3
Working capital	<u>2.5</u>	<u>3.1</u>	<u>3.7</u>
	<u>32.5</u>	<u>40.2</u>	<u>47.9</u>

Please refer to “Reasons for the Share Offer and Use of Proceeds” in this prospectus for details.

SUMMARY

SHARE OFFER STATISTICS

Market capitalisation at Listing ⁽¹⁾ :	HK\$216 million to HK\$280 million
Shares to be in issue following completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option):	800,000,000 Shares
Offer size:	200,000,000 Offer Shares
Offer Price:	HK\$0.27 to HK\$0.35
Board lot:	10,000 Shares
Offering structure:	180,000,000 Offer Shares for Placing and 20,000,000 Offer Shares for Public Offer
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾ :	HK\$0.10 to HK\$0.12

Notes:

1. The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares in issue immediately after completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue but does not take into account (i) any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option; and (ii) any Shares which may be issued upon exercise of any options that may be granted and exercised upon the date of the Listing under the Share Option Scheme.
2. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

RISK FACTORS

The Group believes that there are certain risks and uncertainties involved in its business, some of which are beyond its control. These risks and uncertainties are categorised into: (i) risks relating to the Group's operation; (ii) risks relating to conducting business in the PRC; (iii) risk relating to Hong Kong; (iv) risks relating to the Share Offer and the Shares; and (v) other risk factors. The following highlights some of the risks which are considered to be material by the Directors: (i) rapid technology changes could adversely affect the Group's business; (ii) the Group's business relies heavily on its self-developed software "Time Expert" which exposes it to potential risks; (iii) the Group's biometrics identification solutions may be made redundant by new technologies such as mobile devices equipped with biometrics identification capabilities and similar functions of "Time Expert"; (iv) the Group largely relies on a few major suppliers for biometrics identification devices; (v) some of the Group's long-aged inventory may become obsolete; (vi) the Group does not have long-term purchase commitments from its customers, which exposes it to potential volatility in revenue; and (vii) the Group's business will be adversely affected by significant slowdown in the construction industry in Hong Kong and/or Macau.

SUMMARY

NON-COMPLIANCE

The Group has failed to comply with certain laws and regulations. Such non-compliant incidents include (i) failing to comply with certain regulatory requirements under the Telecommunications Ordinance; and (ii) failing to comply with certain regulatory requirements under the Inland Revenue Ordinance. For details, please refer to “Business — Non-compliance” in this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accounts’ report of the Group prepared by World Link CPA Limited, its auditors and reporting accountants, as set out in Appendix I to this prospectus
“Ample Capital” or “Sponsor”	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor to the Share Offer
“Application Forms”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) individually or collectively, as the context may require, to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on 18 January 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“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 599,998,000 Shares to be made upon capitalisation of an amount of HK\$5,999,980 standing to the credit of the share premium account of the Company as referred to under the paragraph headed “4. Written resolutions of all the Shareholders” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China”, “Mainland” or “PRC”	The Peoples’ Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China”, “Mainland” or the “PRC” do not include Hong Kong, Macau and Taiwan
“CIC”	Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) and is charged with the function of administration of registration of construction workers pursuant to the Construction Workers Registration Ordinance
“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Co-Lead Managers”	AFG Securities Limited and HF Securities and Futures Limited
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended or supplemented 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 or supplemented from time to time
“Company”	Prime Intelligence Solutions Group Limited (匯安智能科技集團有限公司), a company incorporated on 16 October 2015 under the laws of Cayman Islands as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Construction Workers Registration Authority”	a statutory body which supervised the registration of construction workers before its dissolution and amalgamation with the CIC pursuant to the Construction Workers Registration Ordinance
“Construction Workers Registration Ordinance”	The Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS

“Controlling Shareholders”	the controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of the Company immediately upon completion of the Share Offer, namely Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View, individually and as a group of person where the context requires
“Deed of Indemnity”	the deed of indemnity dated 18 January 2018 and executed by the Controlling Shareholders in favour of the Company, particulars of which are set out in the paragraph headed “Other Information — Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertakings dated 18 January 2018 executed by the Controlling Shareholders in favour of the Company, particulars of which are set out in “Relationship with the Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Delighting View”	Delighting View Global Limited, a company incorporated in the BVI on 2 July 2015 with limited liability, and is owned as to 85% by Mr. Tony Yuen and 15% by Ms. Pauline Yuen; one of the Controlling Shareholders
“Director(s)”	the director(s) of the Company
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended or supplemented from time to time
“Fine Day”	Fine Day Assets Limited (安日資產有限公司), a company incorporated in the BVI on 22 April 2015 with limited liability and is solely owned by Mr. Jackson Yuen
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended from time to time
“GEM Website”	the Internet website at www.hkgem.com operated by the Stock Exchange for the purpose of GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

DEFINITIONS

“Global Technology”	Global Technology Corporation Limited (犛雷集團有限公司), a company incorporated in Hong Kong on 30 May 2003 with limited liability, and was owned as to 28%, 28%, 5%, 23%, 7% and 9% by Mr. Jackson Yuen, Mr. Tony Yuen, Ms. Pauline Yuen, Mr. Wong Wing Fai Winfred, Mr. Louie Lok Bill and Ms. Danielle Sun as at the Latest Practicable Date respectively. It was the immediate holding company of SE Engineering, SE R&D, SE Technology and SE Macau before 27 April 2015
“Group”	the Company together with its subsidiaries and in respect of the period before the Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of the Company, but does not include Smart Yield and Systec unless otherwise stated
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by the Company
“Guangdong Safety Technology and Prevention Regulation”	Guangdong Safety Technology and Prevention Regulation of the PRC (《廣東省安全技術防範管理條例》) promulgated on 7 July 2002 and has become effective since 1 August 2002
“HF Asset Management”	HF Asset Management Limited, a company incorporated in Hong Kong with limited liability on 7 July 2009 and a corporation licensed to carry on type 9 (asset management) regulated activity under the SFO, and is wholly-owned by HF Financial Group (Hong Kong) Limited. It is the investment manager of HF Fund
“HF Fund”	HF Pre-IPO Fund, an exempted company incorporated in the Cayman Islands with limited liability on 14 August 2012, which is a mutual fund organised for the primary purpose of investing monies contributed by investors in accordance with its investment strategy and managed by HF Asset Management
“HK eIPO White Form”	the application form for Public Offer Shares to be issued in the applicant’s own name by submitting application online at the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by the Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HK dollar(s)” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	Hong Kong Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Legal Counsel”	Ms. Ng Wing Shan, Queenie, a barrister-at-law in Hong Kong and a legal adviser to the Company as to Hong Kong law
“Hong Kong Subsidiaries”	SE Engineering, SE Technology and SE R&D
“Independent Third Party(ies)”	party or parties that is or are independent of and not connected with the Company and connected persons of the Company within the meaning of the GEM Listing Rules
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended or supplemented from time to time
“Ipsos”	IPSOS Limited (formerly known as IPSOS Hong Kong Limited), a market research and consulting company
“Ipsos Report”	the report titled “Market Landscape and Competitive Analysis of the Biometrics Identification Device Distribution Industry in Hong Kong, Macau and China” dated 30 January 2018 issued by Ipsos, contents of which are summarised in “Industry Overview” in this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	Ample Orient Capital Limited and Pacific Foundation Securities Limited
“Latest Practicable Date”	22 January 2018, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on 14 February 2018
“Listing Division”	the listing division of the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on 18 January 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“MOP”	Macau Pataca(s), the lawful currency of Macau
“Mr. Chou”	Mr. Chou Chiu Ho, the Company’s company secretary and financial controller, one of the ultimate beneficial owners of Super Arena
“Mr. Jackson Yuen”	Mr. Yuen Jackson Kwok Leung, an ex-shareholder of Power Truth after 25 September 2015, sibling of Mr. Tony Yuen and Ms. Pauline Yuen, and brother-in-law of Mr. Joseph Yam and Ms. Jazzy Wong
“Mr. Joseph Yam”	Mr. Yam Chiu Fan, Joseph, a non-executive Director, brother-in-law of Mr. Jackson Yuen, Mr. Tony Yuen, Ms. Pauline Yuen and Ms. Jazzy Wong
“Mr. Kor”	Mr. Kor Sing Mung Michael, one of the ultimate beneficial owners of Super Arena, and a substantial shareholder of the Company upon Listing
“Mr. Tony Yuen”	Mr. Yuen Kwok Wai, Tony, the chairman of the Board, an executive Director, sibling of Ms. Pauline Yuen and Mr. Jackson Yuen, spouse of Ms. Jazzy Wong and brother-in-law of Mr. Joseph Yam; being one of the Controlling Shareholders
“Ms. Danielle Sun”	Ms. Sun Ngai Chu, Danielle, an executive Director
“Ms. Jazzy Wong”	Ms. Wong Ka Man, a member of the senior management, spouse of Mr. Tony Yuen and sister-in-law of Mr. Joseph Yam, Ms. Pauline Yuen and Mr. Jackson Yuen
“Ms. Pauline Yuen”	Ms. Yuen Mei Ling, Pauline, an executive Director, sibling of Mr. Tony Yuen and Mr. Jackson Yuen and sister-in-law of Mr. Joseph Yam and Ms. Jazzy Wong; being one of the Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“OFCA”	the Office of the Communications Authority established under the Telecommunications Ordinance
“Offer Price”	the final offer price for each Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$0.35 per Offer Share and not less than HK\$0.27 per Offer Share, such price to be determined on or before the Price Determination Date

DEFINITIONS

“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s) together, where relevant, with any additional Share(s) issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option to be granted by the Company to the Joint Bookrunners under the Placing Underwriting Agreement to require the Company to issue up to an additional 30,000,000 Shares, representing 15% of the number of the Offer Shares at the Offer Price, details of which are set out in “Structure and Conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing by the Underwriters on behalf of the Company of the Placing Shares for cash at the Offer Price, as further described under “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 new Shares being initially offered by the Company for subscription at the Offer Price under the Placing (subject to reallocation), where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by the Company, the Executive Directors, the Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters
“Power Truth”	Power Truth Holdings Limited, a company incorporated in the BVI on 28 August 2014 with limited liability which is wholly-owned by the Company, and is a member of the Group
“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
“Price Determination Agreement”	the agreement expected to be entered into between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date expected to be on or around Wednesday, 7 February 2018 which the Offer Price will be determined for the purpose of the Share Offer or any later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)

DEFINITIONS

“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 20,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to re-allocation as mentioned in “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 January 2018 relating to the Public Offer entered into by the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters, particulars of which are set out in “Underwriting” in this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation undergone by the Group in preparation for the Listing as more particularly described in “History, Development and Reorganisation — The Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SE Engineering”	Solution Expert Engineering Limited (專訊工程有限公司), a company incorporated in Hong Kong on 9 April 2001 with limited liability which is wholly-owned by Power Truth, and is a member of the Group
“SE Macau”	Solution Expert Technology (Macau) Limited (專訊科技(澳門)有限公司), a company incorporated in Macau on 13 September 2004 with limited liability which is owned as to 96% by Power Truth and 4% by SE Technology, and is a member of the Group

DEFINITIONS

“SE R&D”	Solution Expert Technology (R&D) Limited (專訊科技研究發展有限公司), a company incorporated in Hong Kong on 30 May 2003 with limited liability which is wholly-owned by Power Truth, and is a member of the Group
“SE Shenzhen”	專訊科技(深圳)有限公司 (Solution Expert Technology (Shenzhen) Limited*), a company established in the PRC on 22 October 2003 with limited liability which is wholly-owned by SE R&D, and is a member of the Group
“SE Technology”	Solution Expert Technology Limited (專訊科技有限公司), a company incorporated in Hong Kong on 7 June 1999 with limited liability which is wholly-owned by Power Truth, and is a member of the Group
“Security and Guarding Services Ordinance”	the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended or supplemented from time to time
“Seychelles”	the Republic of Seychelles
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company pursuant to a resolution passed by the Shareholders on 18 January 2018, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Smart Yield”	Smart Yield Investment Limited (威宇投資有限公司), a company incorporated in Hong Kong on 10 January 2014 with limited liability and is wholly-owned by Fine Day
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in section 15 of the Companies Ordinance

DEFINITIONS

“substantial shareholder(s)”	having the meaning ascribed to it in the GEM Listing Rules
“Super Arena”	Super Arena Limited, a company incorporated in Seychelles on 22 April 2015 with limited liability, a substantial shareholder of the Company upon Listing
“Systec”	Systec Management Services Limited (思科管理服務有限公司), a company incorporated in Hong Kong on 26 May 2008 with limited liability and is wholly-owned by Fine Day
“Takeovers Code”	The Code on Takeovers and Mergers issued and administered by the SFC, as amended or supplemented from time to time
“Telecommunications Ordinance”	the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), as amended or supplemented from time to time
“Track Record Period”	the two years ended 31 March 2017 and the four months ended 31 July 2017
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the conditional Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“USA” or the “United States”	the United States of America
“USD”, “US dollars” or “US\$”	the United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

Unless otherwise specified or for transactions that have occurred at historical exchange rates, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into HK\$ in this prospectus at the following rates:

*HK\$1.00: RMB0.82; and
HK\$7.80: US\$1.00.*

These exchange rates are for the purpose of illustration only and no representation is made that any amounts in US\$ or RMB have been, would have been or may be converted, at these or any other rates or at all.

DEFINITIONS

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of names in Chinese are for identification purpose only.

* *Demonstrates the English translation name of a Chinese company or entity and is provided for identification purpose only*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain terms used in this prospectus as they relate to the Group and as they are used in this prospectus in connection with the Group's business or the Group. Some of these definitions may not correspond to standard industry definitions.

“2D”	two-dimensional space
“3D”	three-dimensional space
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“CB”	a certification under an international program for mutual acceptance of test reports and certificates dealing with the safety of electrical and electronic components, equipment and products among several participating laboratories and certification organisations and across multiple countries
“CE”	the Conformity European Certificate, a mandatory marking on certain products, which is required if they are placed on the market in the European Economic Area (EEA), to indicate conformity with the essential health and safety requirements set out in all applicable directives issued by the European Union. By affixing the CE marking, a manufacturer, or its representative, or the importer assures that a product meets all the essential requirements of all applicable directives issued by the European Union
“CIC DAR Application”	CIC Daily Attendance Record Application, the new Android application developed by the CIC for collecting and managing workers' attendance and data in the CWRS
“CRMS”	the Computerised Registration Management System commissioned by the Construction Workers Registration Authority for managing the registrations of construction workers which has been gradually replaced by the CWRS
“CWRS”	the Construction Workers Registration System deployed in 2013 to replace the CRMS, details of which are discussed in “Regulatory Overview — Hong Kong — Construction Workers Registration System” in this prospectus
“EIMS”	electronic inventory management system
“ERP”	enterprise resource planning
“FCC”	the FCC Declaration of Conformity, a certification marking for electronic products that the electromagnetic interference from the products is under limits approved by the Federal Communications Commission in the US

GLOSSARY OF TECHNICAL TERMS

“NFC”	near-field communication, which is a set of communication protocols that enables two electronic devices or one electronic device and a NFC tag to communicate with each other
“ODM”	original design manufacturer
“PDA”	personal digital assistant, a mobile device that functions as a personal information manager
“RFID”	radio frequency identification
“RoHS”	Restriction of Hazardous Substances Directive of the European Parliament and of the European Council, which restricts the use of certain hazardous materials in the manufacture of various types of electronic and electrical equipment
“SE-BioCom”	Android software application developed by the Group to integrate with CWRs

RISK FACTORS

Prospective investors should carefully consider and evaluate the following risk factors and all other information contained in this prospectus before deciding to invest in the Shares. If any of the following risk factors and uncertainties develops into actual events, the Group's business, results of operations and financial condition could be materially and adversely affected. In such cases, the trading price of the Shares could decline due to any of these risk factors and uncertainties and you may lose all or part of your investment.

The Group believes that there are certain risks and uncertainties involved in its business, some of which are beyond its control. The Group has categorised these risks and uncertainties into: (i) risks relating to the Group's operation; (ii) risks relating to conducting business in the PRC; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer and the Shares; and (v) other risk factors.

RISKS RELATING TO THE GROUP'S OPERATION

Rapid technology changes could adversely affect the Group's business

The biometrics identification solutions market is influenced by rapid technology changes. The Group may face increasing competition from technologies currently under development or which may be developed in the future. Future development or application of new or alternative technologies, services or standards may require significant changes to the Group's business model, development of new products, provision of additional services or substantial investments by the Group. New products and services may be expensive to develop and may result in the introduction of additional competitors into the marketplace. Some of the Group's competitors may develop and use more advanced technologies and produce higher quality hardware. The Group cannot accurately predict how the emerging and future technological changes will affect its operations or the competitiveness of its products and services. There is no assurance that the Group's technologies will not become obsolete, or keep pace with the emerging industry standards and address the increasingly sophisticated needs of the customers, or be subject to competition from new technologies in the future, or that the Group will be able to acquire new technologies on reasonable terms necessary to compete in changed circumstances.

The Group's business relies heavily on its self-developed software "Time Expert" which exposes it to potential risks

During the Track Record Period, approximately HK\$28.3 million, HK\$29.4 million and HK\$9.4 million respectively of the Group's revenue were generated from the sales of products which were supported by "Time Expert", the Group's in-house-developed software, representing approximately 70.4%, 72.0% and 58.6% respectively of revenue generated from the sales of products. There may be certain inherent defects or bugs which currently have not been identified by the Group. Should such defects or bugs surface and the Group's software development team is unable to remedy in a timely manner or at all, it may cause malfunction or damage to part of the solutions sold to the Group's customers or result in interruption to the operations of the Group's customers. The Group may be held responsible and even face claims, and the Group's reputation and financial position may be adversely affected. Furthermore, there is no guarantee that "Time Expert" would be successfully modified and/or updated from time to time to cope with the ever changing market environment and customer needs. If this is the case, the Group's business and results of operation will be materially adversely affected.

RISK FACTORS

The Group's biometrics identification solutions may be made redundant by new technologies such as mobile devices equipped with biometrics identification capabilities and similar functions of "Time Expert"

As discussed in more details in "Regulatory Overview" and "Business — Products and services" in this prospectus, CWRs and its associated CIC DAR Application have been fully implemented to replace the previous CRMS for registration of construction workers at construction sites pursuant to the Construction Workers Registration Ordinance. The Group has therefore developed an android software application, namely SE-BioCom, to be applied in mobile devices compatible with CWRs. This mobile device is normally used by construction customers in conjunction with the Group's biometrics identification solutions which comprise biometrics identification devices and the Group's proprietary software "Time Expert".

Nevertheless, if the Group's competitors successfully develop other technologies, such as a mobile device, to incorporate similar functions of "Time Expert" with biometrics identification capabilities, the Group's current biometrics identification solutions could be made redundant. In the event that the Group's construction customers choose the new products and the Group fails to secure business from other customers, its business and financial performance would be materially adversely affected.

The Group largely relies on a few major suppliers for biometrics identification devices

The Group procures various biometrics identification devices, other devices and accessories of biometrics identification solutions from different suppliers which are mostly device manufacturers or subsidiaries of device manufacturers. These biometrics identification device suppliers are all independent of and not controlled by the Group. The ability of the Group to maintain close and continuous relationship with these major suppliers is essential to stable supply of products. During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group's top five suppliers accounted for approximately 80.4%, 81.5% and 72.3% of the Group's total purchases respectively, whereas the Group's largest supplier for the same periods accounted for approximately 36.3%, 39.6% and 33.1% of the Group's total purchases respectively. However, the Group has not entered into any long-term supply agreement with any of these major suppliers.

To maintain smooth operation, the Group must obtain from the suppliers sufficient quantity of quality devices at acceptable prices and in a timely manner. Unfavorable fluctuations in the price, quality or availability of these devices can have a negative effect on the Group's profit margins and ability to meet customers' demand. If supply of its devices is substantially reduced or if there is a significant increase in price, the Group may incur additional costs to acquire sufficient quantities of devices in order to meet its delivery schedules, thereby decreasing its profit margins. The Group may not be able to pass along these cost increases to the customers.

In addition, as set out in "Business — Procurement and suppliers" in this prospectus, currently three of the Group's top five suppliers provided authorised dealer certificates to the Group. However, there is no assurance that any of these suppliers will continue to grant such authorised dealer certificates to the Group in the future. In the event that the Group fails to renew such authorised dealer certificate(s), the Group will lose the exclusivity and/or the rights to distribute the biometrics identification devices or related products of such supplier(s). If the Group cannot identify alternative sources of supplies, or obtain sufficient devices when required, the resulting loss of procurement volume can adversely affect its reputation and financial performance. The Group cannot guarantee that it will be

RISK FACTORS

able to retain any of such major suppliers, or that any of them will continue to supply products to the Group in the future at the same or similar levels, or at the same or similar prices. The Group cannot guarantee that any of these major suppliers will not terminate business with the Group or significantly change, reduce, delay or cancel the supply of products to the Group. The occurrence of any of such situations may adversely and materially affect the business, financial conditions and results of operation of the Group.

Some of the Group's long-aged inventory may become obsolete

The inventories represent the Group's merchandises of biometrics identification devices, other devices and accessories. The inventory turnover day (calculated as the average of opening and ending inventory balances for the period divided by inventory sold in the cost of sales for the period, multiplied by the number of days in the period) was approximately 171.0 days, 255.6 days and 266.9 days for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. The carrying amount aged over 180 days accounted for 29.9%, 50.9% and 74.8% of the total inventories as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively. The carrying amount of the Group's inventories aged over 365 days was approximately HK\$1.3 million, HK\$4.1 million and HK\$4.5 million as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively, net of nil, approximately HK\$0.2 million and HK\$0.2 million provision made respectively. Please refer to "Financial Information — Inventories" in this prospectus for further details of the reasons of such increase. If the Group fails to effectively manage its inventory levels or otherwise has significant levels of obsolete or excessive inventories, the Group's business, results of operations and financial condition could be materially and adversely affected.

The Group does not have long-term purchase commitments from its customers, which exposes it to potential volatility in revenue

The Group's customers generally do not enter into long-term contracts with the Group, except for certain maintenance contracts which generally last up to one year in Hong Kong and Macau. Sales of products are usually initiated by the customers by placing purchase orders to the Group. The quantities of purchase orders may vary from period to period and the customers may cancel or defer purchase orders. As a result, it is difficult to forecast future order quantities. There is no assurance that any of the customers will continue to place purchase orders with the Group in the future at the same volume, or at the same profit margin, as compared with previous periods, or at all. The Group may not be able to secure sufficient purchase orders from new customers to compensate for the decreased or even lost business. There is also no assurance that the volume or profit margin of the customers' purchase orders will be consistent with the Group's expectations when it plans its expenditures. As a result, the Group's results of operations may vary from period to period and may fluctuate significantly in the future.

RISK FACTORS

The Group's business will be adversely affected by significant slowdown in the construction industry in Hong Kong and/or Macau

Any significant slowdown in the construction industry in Hong Kong and/or Macau will result in a decrease in demand for the Group's products and services. During the Track Record Period, more than 60% of the Group's revenue was derived from construction companies in Hong Kong and Macau. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group derived revenue of approximately HK\$38.2 million, HK\$38.7 million and HK\$15.6 million from construction companies in Hong Kong and Macau respectively, representing approximately 64.6%, 60.9% and 63.8% of the Group's total revenue respectively. These construction companies purchase biometrics identification solutions/devices from the Group mainly for use at their construction sites. Therefore, if there is a significant drop in the number of construction sites in Hong Kong and/or Macau, the Group's business, financial condition and results of operation will be adversely affected.

There is no assurance that the Group can maintain and/or renew all licenses currently held

As set out in "Business — Licences and awards" in this prospectus, SE Engineering has obtained the type III security company licence of Security and Guarding Services Industry Authority for provision of installation, maintenance and/or repairing of a security device and/or designing a security system incorporating a security device. The Group also obtained the radio dealer licence from the Communications Authority for the import and export of certain radiocommunications transmitting apparatus. Nevertheless, there can be no assurance that the requirements for obtaining these licences in Hong Kong will not become more stringent and the Group can always maintain and/or renew its licences. If the Group fails to comply with the existing regulations, or future legislative changes, or the Group fails to comply with more stringent licensing requirements, it may be required to cease certain operation, and its business operation and profitability could be materially adversely affected.

If the Group does not protect its trademark and intellectual property rights, unauthorised use and misappropriation of the Group's trademark or technology may occur

The Group's business development and continuous success depends to a large extent on its ability to protect its intellectual property rights, such as its rights over the "Time Expert" software which is a software written and developed by the Group. The Group has registered the trademark of the "Time Expert" software and the brand "Solution Expert", details of which are set out under the paragraph headed "Intellectual property rights of the Group" in Appendix IV to this prospectus.

Nevertheless, it is possible for a third party to copy or otherwise obtain and use the Group's trademark or proprietary technology without its authorisation, or to develop similar technology independently. Policing unauthorised use of the Group's proprietary technology is difficult and the Group cannot assure investors that the steps taken and to be taken by the Group will prevent misappropriation or infringement of the Group's proprietary technology. In addition, litigation may be necessary in the future to enforce the Group's intellectual property rights or determine the validity and scope of the proprietary rights of others, which could result in substantial costs, diversion of the Group's resources and the Group management's time and, as a result, significantly harm the Group's business.

RISK FACTORS

Failure to retain services of the key personnel may adversely affect the Group's business operation

The success of the Group to-date has largely been attributable to the contribution and experience of its key management personnel who are familiar with the industry, its business and the customers' needs and requirements. In particular, the Group's success to-date has been largely due to the foresight and experience of Mr. Tony Yuen and Ms. Jazzy Wong. They have, together with other executive Directors and members of the senior management, contributed to the growth and expansion of the Group over the years. The Group's continued success and development are therefore largely dependent on its ability to retain their services and identify, recruit, train and retain employees for software development and managerial positions. Notwithstanding that the executive Directors have entered into service agreements with the Company for a period of three years, there is no assurance that the Group will be successful in retaining them. Moreover, locating replacements is not easy in terms of experience, networks and market knowledge. The loss of the services of any key management personnel, in particular Mr. Tony Yuen or Ms. Jazzy Wong, without suitable and timely replacements, would inevitably affect the business and profitability of the Group. The Group's continuous success will also depend on its ability to attract and retain qualified administrative, development and sales personnel to manage its existing operation and future growth. The Group may not be able to successfully attract, assimilate or retain the personnel it needs, which could have a negative impact on its ability to maintain competitive edge and growth of its business.

The Group may be exposed to credit risks of its customers, especially Customer Group D in view of its recent development

The credit terms granted by the Group to its customers generally range from 30 to 90 days. The Group's debtors' turnover days were approximately 76.4 days, 55.6 days and 62.0 days for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. The Group is unable to assure investors that its customers will pay on time and that they will be able to fulfill their payment obligations. Should the Group experience any unexpected delay or difficulty in collection of receivables from its customers, the Group's operating results and financial condition would be adversely affected. Further, as its customer base grows, the Group may be exposed to further credit risks from new customers.

During the Track Record Period, the Group derived a portion of its revenue from Customer Group D, which is one of its major customers (as disclosed in "Business — Sales and Customers" in this prospectus). In particular, approximately 4.6%, 7.9% and 2.5% of the Group's total sales for the two years ended 31 March 2017 and the four months ended 31 July 2017 were attributable to Customer Group D, respectively.

Based on public information, the previous auditor of the ultimate holding company of Customer Group D did not express an audit opinion on the consolidated financial statements of the group of the ultimate holding company of Customer Group D for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. Please refer to "Business — Sales and Customers" in this prospectus for further details.

As at 31 July 2017, the Group had trade receivables from Customer Group D of approximately HK\$1.2 million (the "**Trade Receivables**"), of which approximately HK\$0.4 million has been settled as at the Latest Practicable Date. The Trade Receivables comprised approximately (i) HK\$0.3 million due

RISK FACTORS

from the group members of Customer Group D; (ii) HK\$0.9 million due from an unincorporated joint venture (“**Joint Venture A**”) of which Customer Group D is a party with 40.0% interest; (iii) HK\$23,000 due from another unincorporated joint venture (“**Joint Venture B**”) of which Customer Group D is a party with 22.5% interest; and (iv) HK\$26,000 due from another unincorporated joint venture (“**Joint Venture C**”) of which Customer Group D is a party with 65% interest. There is no guarantee that the operation of Customer Group D and/or its ultimate holding company will not deteriorate. If Customer Group D and/or its ultimate holding company has financial or liquidity problem which results in difficulty in operating their businesses, it may result in delay in settling payments to the Group. In the event of loss of, or default in payment by, Customer Group D, the Group may be unable to recover some outstanding amounts of contract sums and may need to incur extra time and costs through legal proceedings to recover the outstanding contract sums and to claim loss and damages against Customer Group D. In turn, the Group’s cash flows, business and financial position would be adversely affected.

The Group may not be able to implement future plans successfully

The Group’s future business plans are based on the Directors’ existing intentions and some of them are at preliminary stages. These business plans and intentions are based on assumptions as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially. Furthermore, the Group’s future business plans may be hindered by other factors beyond its control, such as competition within the industry and from other biometrics identification solution developers/vendors. Therefore, there is no assurance that any of the Group’s future business plans will materialise, or result in the conclusion or execution of any agreement within the planned time frame, or that the Group’s objectives will be fully or partially accomplished. For details of the Group’s future plans, please refer to “Business Objectives and Strategies” in this prospectus.

The Group has previous incidents of non-compliance

Historically, the Group had certain non-compliance with the laws of Hong Kong. In 2014, SE R&D and SE Technology failed to make timely filing in relation to their tax returns for the year of assessment 2013/2014. In 2015, SE Engineering, SE R&D and SE Technology failed to make timely filing in relation to their tax returns for the year of assessment 2014/2015. In these incidents, the Group was in breach of the Inland Revenue Ordinance.

In the event that there are any legal proceedings in respect of these past non-compliances by the Group, the Group may have to incur fines, penalties or legal proceedings cost, and the business and operations of the Group may be adversely affected.

Please refer to “Business — Non-compliance” in this prospectus for further details of such non-compliance incidents, legal consequences and other financial liabilities.

RISK FACTORS

Breach of bank covenants by the Group may result in demand for early repayment of loans

As at 31 March 2017, the Group failed to fulfill a covenant clause in a banking facility agreement pursuant to which the Group is required to maintain a minimum sum of cash or investment balance in that bank (the “**Lending Bank**”) of at least HK\$5 million at all time under all companies of the Group. As of 31 March 2017, the cash balance of the Group maintained at the Lending Bank was approximately HK\$4.2 million which was below the minimum requirement and was in breach of the covenant clause of the said banking facility agreement. As a result, the bank borrowings of approximately HK\$1.5 million as at 31 March 2017 drawn under the said banking facility would become repayable on demand. For details of the Group’s bank borrowings and the said breach, please refer to “Financial information — Quantitative and qualitative disclosures about market risks — liquidity risk” in this prospectus.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group had total bank borrowings of approximately HK\$2.7 million, HK\$1.5 million and HK\$1.7 million respectively. Given such breach of bank covenant, the Group cannot guarantee that the Lending Bank will not accelerate the repayment obligations or enforce other remedies against the Group. Further, the Group cannot assure investors that it will not breach any financial covenants under other loan agreements in the future. If the Group is required by the banks to make early repayment or fails to renew the existing or obtain bank borrowings due to default in the financial covenants in the future, the Group’s liquidity position may be adversely affected. If the Group fails to generate sufficient revenue from its operations or to maintain sufficient cash and financing, the Group may have insufficient cash flows to fund its business, operations and capital expenditure, and the Group may need to rely on additional external borrowings for funding. The Group’s business and financial position would be adversely affected.

An outbreak of severe infectious diseases, such as H1N1 influenza, H7N9 influenza or SARS, may adversely affect the Group’s business

The outbreak, or threatened outbreak, of any severe infectious disease such as SARS, H1N1 influenza or H7N9 influenza will affect the demand for biometrics identification devices and the overall business sentiments, particularly if such outbreak is inadequately controlled. In order to avoid the spread of infectious disease during such outbreak, the customers may suspend use of certain biometrics identification devices sold by the Group, such as those having the functions of fingerprint identification, finger vein identification and/or hand geometry identification, resulting in a decrease in demand for the Group’s products and services. There can be no assurance that an outbreak or perceived outbreak of severe infectious disease, which could seriously interrupt the Group’s operations, will not have a material adverse effect on the Group’s results of operations.

Potential infringement of third party’s intellectual property rights may adversely affect the Group’s reputation and financial condition

The Group’s current or potential competitors may have made substantial investments in competing technologies, or may obtain intellectual property rights that will prevent, limit or interfere with the Group’s ability to develop or sell its products. Any infringement claim made by a third party relating to these technologies would significantly disrupt the Group’s business. The Group cannot assure investors that no similar technologies are currently available from other third parties or that other third parties cannot develop similar technologies.

RISK FACTORS

In addition, there is a possibility that in the course of utilising the Group's technologies, the Group may inadvertently breach the proprietary rights of others and may face liabilities for such breach. An adverse determination in any such litigation or proceedings to which the Group may become a party could cause it to pay damages, seek licences from third parties, pay ongoing royalties, redesign the Group's software or be restricted by injunctions. Hence, the Group's intellectual property rights could be compromised and its business, future prospects, and reputation could be materially harmed.

Further, as the Group continues to introduce new products, the Group may need to obtain licences from third parties to utilise their technologies. The Group cannot assure investors that these technology licences will be available to the Group on commercially viable terms, if at all. The loss of the Group's existing technologies, the failure to obtain any new technology necessary for the Group's operations or the inadvertent breach of proprietary rights of other third parties could delay or compromise the introduction of new products and services by the Group and hence significantly harm the Group's business and financial condition.

The Group may face claims by the customers for defects in its products

The Group's development and sales of biometrics identification devices and solutions make it exposed to potential product liability claims and as a result, the Group may have to allocate significant financial and managerial resources to defend against any such claims. The end-user customers rely on the Group's products to keep track and keep control of persons who enter and leave certain premises or sites. Some of the end-user customers also rely on the Group's "Time Expert" software to meet their obligations under the Construction Workers Registration Ordinance by, inter alia, implementing a registration system for construction workers.

The Group cannot assure investors that its products will always be free from defects. If there are any quality defects in the software or products designed and/or procured by the Group which affect the customers' business operation, the Group may be subject to product liability claims, product recalls and serious damage to its reputation. The Group may further incur legal liability and have to compensate the end users for any loss or damages they may have suffered. Given the Group's mode of operations, the Group has not maintained any product liability insurance. If the Group is required to pay damages to the customers in respect of such claims, it may adversely affect its financial condition and results of operations.

The Group may face claims by the customers for late delivery

The Group is required to adhere strictly to the delivery schedules. Its failure to meet delivery deadlines may result in it being held responsible for any delay or facing claims from customers for such delay.

In the event that the Group is liable for such delay, it may be responsible for any additional manpower and material costs that may have been incurred by the customers. There is no assurance that the Group will not face such claims in the future, which may have an adverse impact on its business, financial condition and results of operations.

RISK FACTORS

Failure to maintain the Group's reputation may adversely harm its business operation and financial performance

The Group has established its goodwill through, inter alia, the quality of its products and services over the years. Failure to maintain high standards and provide quality products and services consistently may materially and adversely affect the Group's ability to retain existing recurring customers, secure new customers and develop new market segments, thereby impeding its future business growth. Negative feedbacks from customers, regardless of their validity and severity, may result in damage to the Group's goodwill associated with its products and services. The Group's business operation and financial performance may be adversely affected by any negative comments on its reputation.

The Group's insurance policies may not provide adequate coverage for all claims associated with its business operations

The Group has obtained insurance policies which the Directors believe are customary for businesses of the Group's size and type and in line with general commercial practice. For details, please refer to "Business — Insurance" in this prospectus. Nevertheless, there are types of losses the Group may incur which cannot be insured against or that the Directors believe are not commercially reasonable to insure, such as liability for personal injury, accidental loss or damage to physical property arising out of the performance of the work of the Group's subcontractors. If the Group is held liable for uninsured losses, its financial results may be materially and adversely affected.

The Group's employees, particularly those responsible for installation work at construction sites in Hong Kong, are exposed to risk of bodily injury or death during the course of their employment. In Hong Kong, employees who suffer work-related injuries may claim for employee's compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) or claim for damages under the common law. The Group may also face other miscellaneous litigation claims from its employees or third parties from time to time.

While the Group maintains insurance policies for employees' compensation and public liability in Hong Kong and Macau, there is no assurance that the insurance company will not challenge any such claims on the ground that they fall outside the scope and/or limit of the Group's insurance coverage or counterclaim the Group for any breach of the terms and conditions of the relevant policy. If the Group's insurance fails to cover its liabilities in relation to claims or litigations against it for whatever reason, and if the Group is liable for compensation under such claims, it may need to pay out of its own funds, which may adversely affect the Group's financial conditions. Regardless of the merits of any claims or litigations, the Group may have to divert management resources and incur costs to defend these claims. Negative publicity may also be resulted, which may tarnish the Group's corporate image and reputation.

The Group's profit is sensitive to changes in cost of sales and selling price and the Group may not be able to sustain growth in revenue and profitability at the current rate. Therefore, the Group's historical performance should not be used as an indicator of its future performance

The Group's profit is sensitive to changes in cost of sales and selling price. Given this, the profitability of the Group for the Track Record Period might not necessarily give any indication of, and should not be interpreted as guidance for, the profitability of the Group in the future.

RISK FACTORS

The Directors attribute the increase in the Group's revenue and profitability in the Track Record Period in part to the Group's ability to maintain sales volume, meet customers' requirements, maintain product quality and control operation costs. Nonetheless, the Group may not be able to sustain historical growth rates. The Group's profit margin could be materially and adversely affected if, amongst others, its cost increases as a result of increase in labour cost, cost on procurement or delivery. Even if it maintains such growth rates, it may not be able to manage the growth in an efficient and effective manner. In the event the Group is unable to maintain or manage its business growth, or otherwise experience pricing pressure or loss of market share, it may experience stagnant or negative growth, thereby materially and adversely impairing its business, financial conditions and operation results. Therefore, the Group's historical performance should not be used as an indicator of its future performance.

Foreign exchange rate fluctuations may adversely affect the Group's business and performance

The Group's revenue is generated from Hong Kong, the PRC and Macau. In particular, the Group derives part of revenue from the PRC and incurred part of cost in Renminbi. The exchange rates are subject to continuous movements affected by international political and economic conditions and changes in governmental economic and monetary policies. During the Track Record Period, the range of the exchange rate of Renminbi against Hong Kong Dollars was from approximately 1.12 to 1.27. The Group incurred approximately HK\$0.1 million and HK\$18,000 exchange rate losses for the two years ended 31 March 2017 respectively and approximately HK\$13,000 exchange rate gain for the four months ended 31 July 2017. The Group currently does not have a foreign currency hedging policy. As such, the Group may be increasingly exposed to higher foreign exchange risk of Renminbi going forward. For instance, if there is any fluctuation in Renminbi, these fluctuations may result in exchange losses or gains or increases or reductions in the Group's revenue, receivables, cost and payables after translation into HK dollars. For further details, please refer to the sub-section headed "Risks relating to conducting business in the PRC" in this section below.

Further, part of the Group's revenue from Macau is denominated in Patacas, the lawful currency of Macau. Although currently permitted, the Group cannot assure that Patacas will continue to be freely exchangeable into HK dollars. Also, because the currency market for Patacas is relatively small and undeveloped, the ability to convert large amounts of Patacas into HK dollars over a relatively short period may be limited. As a result, the Group may experience difficulty in converting Patacas into HK dollars.

The Group is dependent on subcontractors to perform certain contracts

As part of its normal operation process, the Group is responsible for the installation of biometrics identification solutions/devices. The on-site installation and maintenance process in Macau has been subcontracted to Subcontractor A since October 2013. The Group also engaged Subcontractor C for the installation of electronic lock in Hong Kong, as the Group does not possess the relevant expertise/qualification and special tools for the installation of electronic lock. From time to time, the Group subcontracts the installation of some biometrics identification solutions/devices in Hong Kong to Subcontractor B. In May 2017, the Group has engaged Subcontractor D to recruit manpower for development of certain web based systems in Zhuhai, the PRC. For details, please refer to "Business — Subcontractors" in this prospectus.

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There is no assurance that the Group is able to monitor the quality and efficiency of the performance of its subcontractors. If a subcontractor fails to provide services as required, the Group may be required to outsource these services on a delayed basis or at a higher price than anticipated, which could impact the Group's business and profitability. Further, if the subcontractor's performance does not meet the required standards, it could harm the Group's reputation and potentially expose it to claims and liabilities.

Historical dividends are not indicative of the Group's future dividends

Any future declaration of dividends will be proposed by the Board. The amount of future dividends on the Shares will depend on the earnings and financial condition, the results of operations, the capital needs, the plans for expansion, the distributable reserves and other factors as the Directors may deem appropriate. Subject to the Companies Law, Shareholders in general meeting may from time to time approve to declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by the Directors. The Company cannot assure that it will pay dividends in the future.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately 11.7%, 10.8% and 11.0% of the Group's total revenue was derived from the PRC respectively. Accordingly, the Group's results of operations, financial positions, performance and prospects are subject to the economic, political and legal developments in the PRC, including the following risks:

Transfer pricing risk

The Group has sales and purchase arrangements among its group companies in Hong Kong and the PRC. The Group's tax position may be subject to review and possible challenge by the relevant PRC government authorities and any possible change or challenge in laws.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008 and the Implementing Measures for Special Tax Adjustment (for Trial Implementation) (《特別納稅調整實施辦法(試行)》) promulgated by the State Administration of Taxation on 1 August 2009 and became effective on 1 January 2008, transactions in respect of the purchase, sale and transfer of products between enterprises under direct or indirect control by the same third party shall be regarded as related party transactions. Related party transactions shall comply with the arm's length principle (獨立交易原則); and the failure of compliance with this principle would result in reduction in the income or taxable income of the enterprise or its related parties, the PRC tax authorities shall have the right to conduct tax adjustment within ten years from the tax paying year since the transaction occurs. During the Track Record Period and up to the Latest Practicable Date, there were related party transactions between the Hong Kong Subsidiaries and SE Shenzhen.

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The Group is not in the position to predict what position the PRC tax authorities may take. In the event that the Group's tax position is subject to review and possible challenge by the PRC tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong and the PRC, it may adversely affect the Group's financial position and results of operation. In preparing the Group's financial information, the Directors have reviewed and assessed the Group's transfer pricing risk as it is possible that the PRC tax authorities may challenge the Group's transfer pricing policy. However, there can be no assurance that the Group will be found to be operating in compliance with relevant transfer pricing laws, or that such laws will not be modified, which may require changes to the Group's transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of transfer pricing laws could result in an income tax assessment and other relevant charges on the relevant portion of income.

The Group faces tax risks with respect to the indirect transfers of equity interests in the PRC resident enterprises in connection with the Reorganisation

On 6 February 2015, the State Administration of Taxation has promulgated the Bulletin on Several Issues concerning the Enterprise Income Tax (“EIT”) on Indirect Asset Transfer by Non-Resident Enterprises (Bulletin [2015] No. 7, “**Bulletin 7**”). On 17 October 2017, the State Administration of Taxation has promulgated the Announcement on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (Announcement [2017] No. 37, “**Announcement 37**”). Bulletin 7 and Announcement 37 are the latest regulatory instrument on indirect transfer and follows two previous sets of guidance issued in 2009 and 2011: the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ([2009] Circular 698) and the Bulletin on Several Issues Concerning the Administration of Income Tax on Non resident Enterprises (Bulletin [2011] No. 24). Tax matters occurred but have not been settled before 3 February 2015, the date of implementation of Bulletin 7, shall be governed by Bulletin 7 and Announcement 37.

Pursuant to Bulletin 7, an indirect transfer of assets such as Chinese resident enterprises equity interest conducted by non-resident enterprises through arrangements that do not have reasonable commercial purposes, which results in avoidance of obligation of paying EIT, shall be deemed as direct transfer of assets such as Chinese resident enterprises equity interest and thus subject to EIT.

In connection with the Reorganisation, the Group conducted transactions that may be deemed to be indirect transfers of equity interests in the SE Shenzhen. If the relevant PRC tax authorities hold that these transactions do not have reasonable commercial purpose and were conducted for the purpose of avoiding PRC tax, the Group may incur PRC tax liability for such transaction. However, it remains unclear how the PRC tax authorities will implement and enforce Bulletin 7 and whether it will subject the Group to any PRC tax liabilities.

Economic and political considerations

The PRC's economy differs from the economies of most developed countries in many aspects, including the structure of the economy, the amount of government intervention, level of infrastructure development, level of capital reinvestment, growth rate, control of foreign exchange and the efficient allocation of resources. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. Since part of the Group's operations are conducted in the PRC, changes

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in the general economic and political environment in the PRC and changes in the economic policies of the PRC government may directly or indirectly affect the business, the results of operations and the financial position of the Group.

Although these economic reforms and measures could have a positive effect on the overall and long term development of the PRC, the Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, results of operations or financial condition.

Payment of dividends is subject to restriction under the PRC law

The Group is a holding company incorporated in the Cayman Islands and operates part of its business through its subsidiary in the PRC. Therefore, the availability of funds to pay dividends to its shareholders and to service its indebtedness depends upon dividends received from its subsidiaries. If these subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to distribute dividends to the Group. As a result, its ability to pay dividends and to service its indebtedness will be restricted.

In the PRC, dividends are paid out of the net profit calculated in accordance with the PRC accounting standards, regulations and the Company Law of the PRC (《中華人民共和國公司法》). PRC laws also require foreign-invested enterprises, such as its subsidiaries in the PRC, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, restrictive covenants in bank facilities, convertible bond instruments or other agreements that the Group or its subsidiaries may enter into in the future may also restrict the ability of its PRC subsidiary to make distributions to the Group. Such restrictions may impact its ability to pay dividends to its shareholders.

Changes in the PRC government rules, regulations and policies will have a significant impact on the Group's business

Currently, the Group's business and operations in the PRC are subject to PRC laws, government rules, regulations and policies which entail the procurement of licences and permits from the relevant authorities. From time to time, changes in the laws, rules, regulations and policies or implementation thereof may require the Group to obtain additional licences and permits from the PRC authorities. In such event, the Group may need to incur additional expenses in order to comply with such requirements. This will in turn affect its financial performance as its business costs increase. In addition, there is no assurance that such licences or permits will be granted to the Group promptly or at all. If the Group experiences delay or unable to obtain such licences or permits, its operations and business in the PRC as well as its financial performance will be adversely affected.

Interpretation of PRC laws and regulations involves uncertainty

Part of the Group's business is conducted within the PRC and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance,

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commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations are new and have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation and enforcement of PRC laws and regulations involve a degree of uncertainty in many areas. Depending on the governmental agency or the presentation of an application or case to such agency, the Group may receive less favourable interpretations of laws and regulations.

In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of the Group's resources and management attention. All these uncertainties may cause difficulties in the enforcement of its entitlements under its permits, and other statutory and contractual rights and interests.

Government control of currency conversion and fluctuation of Renminbi could affect the Group's financial condition and results of operations

Part of the Group's revenue is denominated and settled in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("SAFE") or its local counterparts provided that the Group satisfies certain procedural requirements. However, capital account transactions must be approved by or registered with the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on China's domestic and international economic and political developments, as well as supply and demand in the local market. Any appreciation of the Renminbi against the US dollars or any other foreign currencies may result in the decrease in the value of the Group's foreign currency denominated assets. Conversely, since the Group receives part of its revenue in Renminbi, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, the Shares in Hong Kong dollars which are pegged to the US dollars.

In addition, if the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, the Group may not be able to pay dividends in foreign currencies to its Shareholders, which would adversely affect the value of your investment.

RISKS RELATING TO HONG KONG

Political risks associated with doing business in Hong Kong

The Group's business and operations are largely located in Hong Kong. Hong Kong is a special administrative region of the PRC, with its own executive, judicial and legislative branches. Hong Kong enjoys a high degree of autonomy from China under the principle of "one country, two systems". However, the Group can give no assurance that Hong Kong will continue to enjoy the same level of autonomy from China. Any intervention by the government of China in the affairs of Hong Kong, in breach of the "one country, two systems" principle, may adversely affect the Group's revenues and operations.

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RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has been no prior public market for the Shares and an active trading market for the Shares may not develop

Prior to the Share Offer, there has been no public market for the Shares. The initial Offer Price range for the Offer Shares as disclosed in this prospectus was the result of negotiations between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Share Offer. While the Company has applied for the listing of, and permission to deal in, the Shares on the Stock Exchange, there is no guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, will be sustained following the Share Offer or that the market price of the Shares will not decline following the Share Offer. The Company gives no assurance that these developments will not occur in the future.

The trading price and the trading volume of the Shares may be highly volatile

The trading price and the trading volume of the Shares may be volatile and may be affected by the following factors:

- actual or anticipated fluctuations in the results of operations;
- recruitment or loss of key personnel by the Group or the competitors;
- announcement of competitive developments, acquisitions or strategic alliances in the biometrics identification solution industry;
- changes in earnings estimates or recommendations by financial analysts;
- changes in investors' perception of the Group and the investment environment generally;
- the liquidity of the market for the Shares;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting the Group or the biometrics identification solution industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond the Group's control;
- political, social and economic conditions in the PRC;
- developments in information technology; and
- release of lock-up or other transfer restrictions on the Shareholders.

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Moreover, in recent years, the securities markets have experienced significant price and volume fluctuations, some of which may not relate to the operating performance of particular companies. These market fluctuations may adversely affect the market price of the Shares.

Future sales of substantial amounts of the Shares in the public market could adversely affect the prevailing market price of the Shares

The Controlling Shareholders have given a non-disposal undertakings to the Company, the Stock Exchange, the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) in respect of their Shares and the Company will not be allowed to issue Shares or securities convertible into equity securities of the Company within six months from the Listing Date. Please refer to “Underwriting” in this prospectus for a more detailed discussion of the restrictions that may apply to future issues and sales of the Shares. After these restrictions lapse, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect the Group’s ability to raise capital in the future at a time and at a price it deems appropriate.

Shareholders’ interests in the Company may be diluted in the future

The Company may issue additional Shares upon exercise of options granted under the Share Option Scheme. In addition, the Group may need to raise additional funds in the future to finance its 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 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 Group’s profitability may be adversely affected during the vesting period, if applicable, over the life of any outstanding share options granted or to be granted under the Share Option Scheme. 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.

The Controlling Shareholders have undertaken that any disposal of the Shares held by them will be subject to constraints for an additional 18 months in addition to the requirement under the GEM Listing Rules. There is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations of the independent committee of the Board and/or the approval of the independent Shareholders

In addition to the undertakings to the Stock Exchange and the Company pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Company that for a further 18 months commencing on the date falling six months from the Listing Date, they will not, and procure that the relevant registered holder(s) will not, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of any of the Shares if,

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immediately following such disposal or upon the exercise or enforcement of such encumbrances, he/she/it would either individually or together cease to own more than 30% of the issued Shares of the Company.

Such undertaking can be waived as agreed by the Company, without recommendations of the independent committee of the Board comprising independent non-executive Directors and/or the approval of the independent Shareholders. Should the undertaking be waived, there is no assurance that the Controlling Shareholders will not dispose of their Shares. Sale of Shares in the public market by the Controlling Shareholders, or any market perception that their sale of shares might occur, could adversely affect the market price of the Shares. For details of the undertaking, please refer to the section headed “Underwriting” in this prospectus.

There may be difficulties in protecting your interests because the Company is incorporated under the Companies Law

The Group’s corporate affairs are governed by the Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. Such differences may mean that the Company’s minority shareholders may have less protection than they would have under the laws of Hong Kong and other jurisdictions. For more details, please refer to “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

The interest of the Controlling Shareholders may not always coincide with the Company’s best interests and those of the other Shareholders

Upon completion of the Share Offer, assuming the Offer Size Adjustment Option is not exercised at all, Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View will own 45.75% of the Shares and will remain as the Company’s Controlling Shareholders. These Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of the Group, and may have the ability to require the Company to effect corporate actions according to their own desires. The interests of these Controlling Shareholders may not always coincide with the Company’s or your best interests. If the interests of any of these Controlling Shareholders conflict with the Company’s or your best interests, or if any of these Controlling Shareholders chooses to cause the Group’s business to pursue strategic objectives that conflict with the Company’s or your interests, the Company or those other Shareholders, including you, may be adversely affected as a result.

OTHER RISK FACTORS

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact on the Group’s business

Natural disasters and other acts of god which are beyond the Group’s control may materially and adversely affect the economy and livelihood of the people in Hong Kong, the PRC and Macau. The Group’s operations and financial condition may be adversely affected, especially when such events occur in regions in which its operations and suppliers are located. Acts of war, terrorists’ attacks and political

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unrest may cause damage or disruption to the Group's facilities, its employees, suppliers and markets, any of which could materially and adversely affect its overall results of operations and financial condition.

Risks relating to statements in this prospectus

1. Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in "Industry Overview" in this prospectus are derived from the Ipsos Report compiled by Ipsos. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. The Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained in this prospectus are derived from market data provided by Ipsos. 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. However, the information has not been independently verified by the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or their respective directors, affiliates or advisors or any other party involved in the Share Offer and no representation is given as to its accuracy.

2. The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions and valuation may not reflect the current market situation due to rapid changes in the Hong Kong, PRC and Macau economy. In order to provide context to the industries in which the Group operates and greater understanding of the Group's market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business” and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, the Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and operations plans;
- its capital expenditure and funding plans;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the biometrics identification device distribution industry in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of the Company. In addition, these forward-looking statements reflect the current views of the Company 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, but are not limited to those discussed under “Risk Factors” and elsewhere 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 obligation 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 control of the Company. 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.

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.

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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to 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 in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer. Details of the structure of the Share Offer, including its conditions are set out in “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in “How to Apply for the Public Offer Shares” in this prospectus.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Share Offer is sponsored by the Sponsor, managed by the Joint Bookrunners and fully underwritten by the Underwriters subject to the Offer Price being agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed on or before 5:00 p.m. on Monday, 12 February 2018, the Share Offer will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

authorised by the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

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

The distribution of this prospectus and the offering and sales 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC and the United States.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to Capitalisation Issue and the Share Offer (including any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

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

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any application of the Offer Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of 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 by or on behalf of the Stock Exchange.

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.

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. A total of 200,000,000 Offer Shares representing 25% of the enlarged issued share capital of the Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors 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 Joint Lead Managers, the Co-Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Hong Kong Branch Share Register, by ordinary post, at the Shareholder's risks, to the registered address of each Shareholder or, if joint Shareholders to the first-named therein in accordance with the Articles of Association. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the Company's principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless the Company holds an interest in land in the Cayman Islands. No stamp duty is payable by applicants in the Share Offer.

The Company's principal register of members will be maintained by the Company's principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and the Company's Hong Kong branch register of members will be maintained by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM 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 Listing Date, or on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 14 February 2018, dealing in the Shares on GEM is expected to commence on Wednesday, 14 February 2018 under the GEM stock code 8379. Shares will be traded in board lot of 10,000 Shares each.

The Company will not issue any temporary document of title.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” in this prospectus and the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in “Structure and Conditions of the Share Offer” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in US dollars and Renminbi and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between US dollars and Hong Kong dollars were made at the rate of US\$1.00 to HK\$7.80 and the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.82 to HK\$1.00, being the PBOC rate prevailing on the Latest Practicable Date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of the subsidiaries of the Group) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

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 individual items. When information is presented in thousands or million of units, amounts may have been rounded up or down.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Yuen Kwok Wai, Tony (阮國偉)	Flat 17B, PH/F, House 17 31 Lo Fai Road Forest Hill Tai Po New Territories Hong Kong	Chinese
Ms. Yuen Mei Ling, Pauline (阮美玲)	Room C, 30/F, Block 2 Island Harbourview 11 Hoi Fai Road, Tai Kok Tsui Kowloon Hong Kong	Chinese
Ms. Sun Ngai Chu, Danielle (孫毅珠)	Flat A, GH/F, House 21 31 Lo Fai Road Forest Hill Tai Po New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Yam Chiu Fan, Joseph (任超凡)	Room RC, 32/F Tower 9, R Wing (Bouquet) La Splendeur, Lohas Park Tseung Kwan O New Territories Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Mui Pak Kuen (梅栢權)	Flat G, 5/F, Tower 8 Park Avenue 18 Hoi Ting Road Mong Kok Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
Mr. Chung Billy (鍾定縉)	Flat C, 14/F No. 14 University Residence The Chinese University of Hong Kong Shatin New Territories, Hong Kong	Canadian
Mr. Hui Man Ho, Ivan (許文浩)	Room RC, 23/F, Block 1 Le Prestige, Lohas Park Tseung Kwan O New Territories, Hong Kong	Chinese

Further information of the Directors are disclosed in “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong <i>(a corporation licensed under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)</i>
Joint Bookrunners and Joint Lead Managers	Ample Orient Capital Limited Room A, 17/F, Fortune House 61 Connaught Road Central Central, Hong Kong Pacific Foundation Securities Limited 11/F, New World Tower II 16–18 Queen’s Road Central Hong Kong
Co-Lead Managers	HF Securities and Futures Limited Room 1606, South Tower Concordia Plaza, 1 Science Museum Road Tsim Sha Tsui, Hong Kong AFG Securities Limited Room B, 17/F, Fortune House 61 Connaught Road Central Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company

As to Hong Kong law

Loeb & Loeb LLP

21st Floor
CCB Tower
3 Connaught Road Central
Hong Kong

Ms. Ng Wing Shan, Queenie, *barrister-at-law*

Rooms 2203 A&B, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

As to PRC law

Shu Jin Law Firm

12/F, Taiping Finance Tower
6001 Yitian Road
Futian District, Shenzhen
Guangdong Province
China

As to Macau law

Leong Hon Man Law Office

12/F, China Law Building
Avenida Da Praia Grande no. 409
Macau

As to Cayman Islands law

Appleby

2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal adviser to the Sponsor and the Underwriters as to Hong Kong law

Fairbairn Catley Low & Kong

23/F, Shui On Centre
6–8 Harbour Road
Hong Kong

Auditor and reporting accountants

World Link CPA Limited

5/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Property valuer

Access Partner Consultancy & Appraisals Limited

Unit 2603, 26/F, Tung Wai Commercial Building

109–111 Gloucester Road

Wanchai

Hong Kong

Tax adviser

ECOVIS David Yeung Hong Kong

Room 1905, 19/F

West Tower, Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 1, 13/F Asia Trade Centre 79 Lei Muk Road Kwai Chung New Territories Hong Kong
Authorised representatives	Mr. Chou Chiu Ho (周昭何) <i>HKICPA, ACCA</i> Flat H, 38/F, Block 5 Caribbean Coast Tung Chung New Territories Hong Kong Mr. Yuen Kwok Wai, Tony (阮國偉) Flat 17B, PH/F, House 17 31 Lo Fai Road Forest Hill Tai Po New Territories Hong Kong
Company secretary	Mr. Chou Chiu Ho (周昭何) <i>HKICPA, ACCA</i> Flat H, 38/F, Block 5 Caribbean Coast Tung Chung New Territories Hong Kong
Compliance officer	Ms. Yuen Mei Ling, Pauline (阮美玲)
Audit Committee	Mr. Chung Billy (鍾定縉) (<i>Chairman</i>) Mr. Hui Man Ho, Ivan (許文浩) Mr. Mui Pak Kuen (梅栢權)
Remuneration Committee	Mr. Mui Pak Kuen (梅栢權) (<i>Chairman</i>) Mr. Chung Billy (鍾定縉) Mr. Hui Man Ho, Ivan (許文浩) Ms. Yuen Mei Ling, Pauline (阮美玲)

CORPORATE INFORMATION

Nomination Committee	Mr. Hui Man Ho, Ivan (許文浩) (<i>Chairman</i>) Mr. Chung Billy (鍾定縉) Mr. Mui Pak Kuen (梅栢權)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong <i>(a corporation licensed under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)</i>
Website of the Company	<u>www.sebiotec.com</u> <i>(information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

Potential investors should note that Ipsos has been engaged by the Company to prepare the Ipsos Report to analyze and report on the industry development, trends and competitive landscape of the biometrics identification device industry in Hong Kong, Macau and the PRC, which will be used in whole or in part in this prospectus.

The information and statistics set out in this section have been extracted from the Ipsos Report compiled by Ipsos and other publicly available sources. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.

Major biometrics identification devices distributed in the Hong Kong, Macau and the PRC markets include: face identification, fingerprint identification, hand geometry identification, iris identification, finger vein identification, voice identification and multi-biometrics identification devices.

DEMAND OVERVIEW AND ANALYSIS OF THE BIOMETRICS IDENTIFICATION DEVICE DISTRIBUTION INDUSTRY IN HONG KONG, MACAU AND THE PRC

Major Customers of the Biometrics Identification Device Distribution Industry in Hong Kong, Macau and the PRC

The major customers of the biometrics identification device distribution industry in Hong Kong, Macau and the PRC include the construction industry, financial industry, government (particularly immigration department and control points), casinos (in Macau only), and manufacturing industry (in the PRC only).

According to the Census and Statistics Department of Hong Kong, the total number of construction sites in Hong Kong increased from 1,172 in 2011 to 1,391 in 2016 at a CAGR of 3.5%. According to the Statistics and Census Service (“DSEC”) in Macau, the number of construction sites in Macau increased from 67 in 2011 to 81 in 2016 at a CAGR of 3.9%. According to the National Bureau of Statistics of China, in the PRC, the total area of buildings completed increased from 8.5 billion square meters in 2011 to 12.6 billion square meters in 2016, at a CAGR of 8.2%. Growth in the construction industry has driven demand for biometrics identification devices in Hong Kong, Macau and the PRC.

It is a common practice for financial institutions such as banks to install biometrics identification devices for security use, particularly for accessing safety deposit boxes and staff-only areas. According to the China Banking Regulatory Commission, the total number of banks in the PRC experienced a drop from 2,831 in 2011 to 2,462 in 2015, at a CAGR of -3.4%, due to mergers and acquisitions. According to the Hong Kong Monetary Authority, the number of banks slightly decreased from 198 in 2011 to 195 in 2016. The number of banks in Macau remained at 28 between 2012 and 2016, according to the DSEC.

INDUSTRY OVERVIEW

The total number of control points in Hong Kong and Macau remained relatively stable from 2011 to 2016. According to the Immigration Department, the total number of control points in Hong Kong was 13 in 2011 and 2012, increased to 14 in 2013 and remained the same until 2016. According to the Macao Customs Services, the number of control points increased from 6 in 2011 to 7 in 2016 in Macau. In future, new border control points related to the Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link will drive the demand for biometrics identification devices for customs clearance. According to the China Association of Port-of-Entry, there were 288 frontier inspection stations at control points in 2016.

In Macau, biometrics identification devices are often installed at the entrance of casinos to monitor access and ensure that persons prohibited from casinos cannot enter. According to the DSEC, the total number of casinos in Macau increased from 34 in 2011 to 38 in 2016.

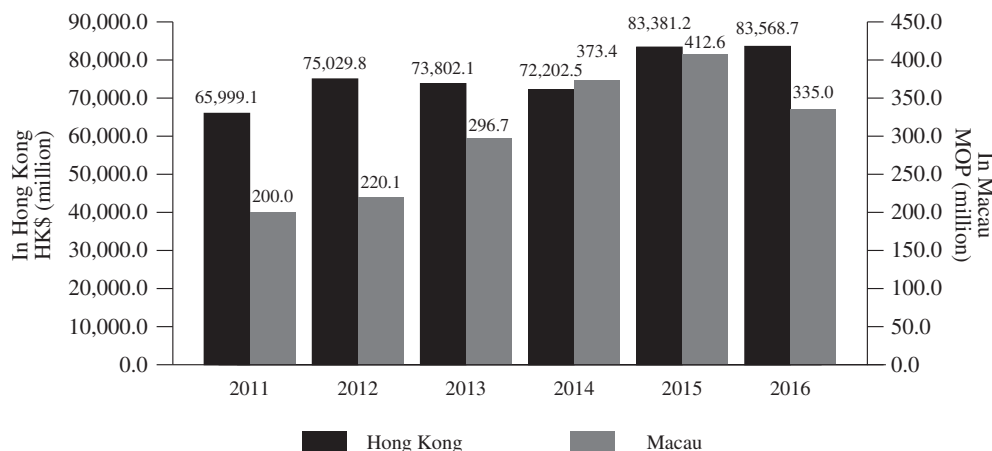
Growing security concerns and the increase in the number of patients due to rising population drive the demand for biometrics identification devices in the healthcare industry. According to the National Health and Family Planning Commission of the PRC, the total number of hospitals in the PRC increased considerably from 21,489 in 2011 to 28,751 in 2016 at a CAGR of 6.0%. According to the Census and Statistics Department of Hong Kong, the number of hospitals in Hong Kong increased from 53 in 2011 to 54 in 2016. Despite the stable number of hospitals, biometrics identification devices are likely to be increasingly used in existing healthcare facilities. The devices are generally used for access control to different parts of the hospitals and/or other healthcare institutions, such as data rooms, server rooms and laboratories which store sensitive and/or confidential information. The adoption of biometric devices is expected to increase in the healthcare industry.

According to the National Bureau of Statistics of China, the total number of companies in the manufacturing sector in the PRC increased from 325,609 in 2011 to 383,148 in 2015, representing a CAGR of 4.2%. The manufacturing sector in the PRC is one of the major customer segments for the biometrics identification device distribution industry because manufacturing sector customers install biometrics identification devices in factory plants for time attendance purposes. The increased number of companies in the manufacturing sector propelled the growth of the biometrics identification device distribution industry in the PRC.

INDUSTRY OVERVIEW

Total Import Value of Biometrics Identification Devices and Biometrics Identification Device Components in Hong Kong and Macau

Total Import Value of Biometrics Identification Devices and Identification Device Components^(Note 1) in Hong Kong and Macau from 2011 to 2016



Sources: UN Comtrade; Ipsos Research and Analysis (Note 2)

The total import value of biometrics identification devices and biometrics identification device components^(Note 1) in Hong Kong witnessed an overall increase at an 4.8% CAGR from 2011 to 2016, rising from HK\$65,999.1 million in 2011 to HK\$83,568.7 million in 2016.

In Macau, the total import value of biometrics identification devices and biometrics identification device components had an overall increase of approximately 10.9% CAGR, from MOP200.0 million in 2011 to MOP335.0 million in 2016.

Market Overview of the Construction Industry in Hong Kong

The total gross output value of overall construction works performed at construction sites in Hong Kong increased from HK\$89.0 billion in 2011 to HK\$187.7 billion in 2016, at a CAGR of approximately 16.1%. The significant growth was due to the rising demand of commercial and residential buildings, renovation and revitalization of industrial buildings, as well as large-scale public infrastructure projects such as the Ten Mega Infrastructure Projects.

Notes:

¹ Data includes the following Harmonized System (HS) Codes: 847160–input or output units, whether or not containing storage units in the same housing; 851762–machines for the reception, conversion and transmission or regeneration of voice, images or other data; 851769–apparatus for the transmission or reception of voice, images or other data; 854370–electrical machines and apparatus, having individual functions; and 901510–rangefinders.

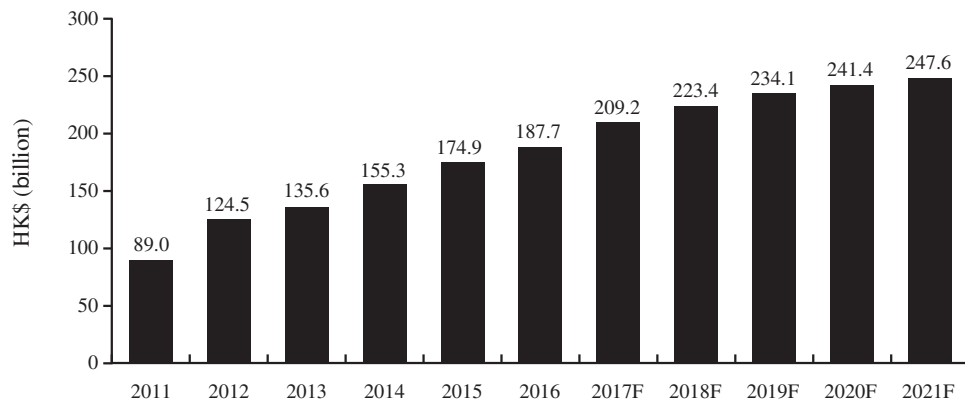
² The total import data is gathered from UN Comtrade and analysed by Ipsos modeling system and analysis.

INDUSTRY OVERVIEW

It is expected that the gross output value of construction works in Hong Kong will rise from HK\$209.2 billion in 2017 to HK\$247.6 billion in 2021 at a CAGR of approximately 4.3%. The growth is expected to be continue driven by the Government's initiatives to increase the public housing supply, land supply for private housing and commercial buildings as well as the commencing and upcoming infrastructure projects. According to 2017 Policy Address, the projection of public housing production is estimated to be 94,500 units between year 2016/17 and 2020/21. The latest projection is higher than that of the previous five-year period projections. Moreover, according to 2017–18 Land Sale Programme, total 32 sites (28 for residential, three for commercial/business and one for hotel) will be supplied to the market, which in turn to support the increase in gross output value.

The exhibit below sets for the gross output value of overall construction works performed at construction sites in Hong Kong:

Gross output value of overall construction works performed at construction sites in Hong Kong from 2011 to 2021



Notes:

- (1) Figure of 2016 is subject to update and revise in the second quarter of 2018.
- (2) Gross output value of construction works performed at construction sites in Hong Kong includes the value of construction works performed by main contractors and subcontractors.

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

Market Overview of the Construction Industry in Macau

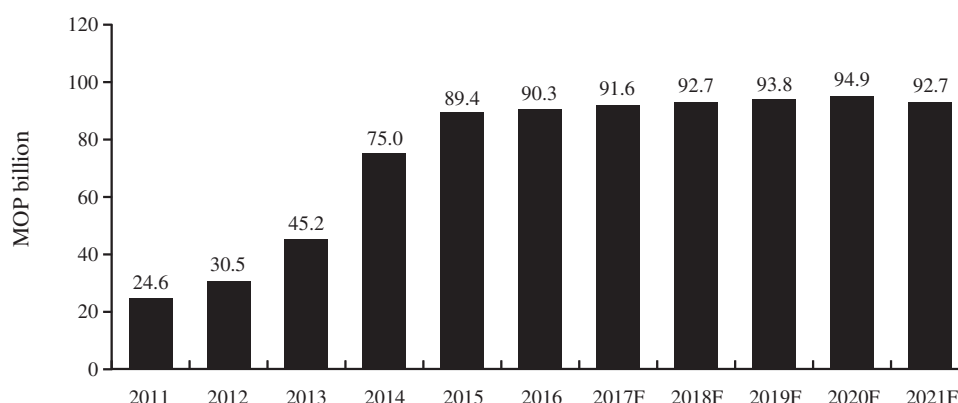
The gross output value of construction works in Macau increased from about MOP24.6 billion in 2011 to about MOP90.3 billion in 2016, at a CAGR of 29.7%. From 2011 to 2016, the gross output value of construction works in Macau were mainly contributed to the construction of major hotels and casinos, such as Parisian Hotel by Sands China Limited and the Galaxy Macau Phase 2 and public construction projects, such as the Macau Light Rapid Transit System, the Hengqin New Area development project, and the Hong Kong-Zhuhai-Macau bridge. These projects also contributed to the growth in the construction industry.

INDUSTRY OVERVIEW

The gross output value of construction works in Macau is expected to increase from about MOP91.6 billion in 2017 to about MOP92.7 billion by 2021, at a CAGR of 0.3%. According to Macau 2016 Policy Address, the government will make efforts to progressively promote the public housing planning and increase public housing supply. From 2017 to 2021, the gross output value of construction works for the private sector in Macau is expected to increase at a CAGR of about 0.2% driven by the wave of future development in Cotai (known as Cotai 2.0), with the six of Macau's gaming concessionaires extending existing casino properties and resorts as well as private residential projects.

The exhibit below sets for the gross output value of overall construction works performed at construction sites in Macau:

**Gross output value of construction works performed at construction sites
in Macau during 2011–2021**



Notes:

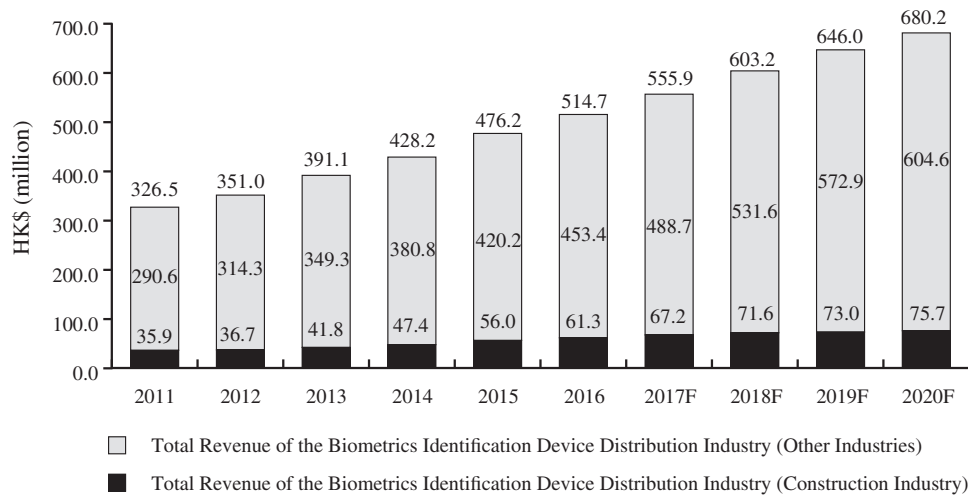
- (1) Figure of 2016 is subject to update and revise in the second quarter of 2018.
- (2) Gross output value of construction works performed at construction sites in Macau includes the value of construction works performed by main contractors and subcontractors.
- (3) Gross output value of construction works performed at construction sites in Macau includes site preparation, general building construction, civil engineering, other specialised construction, specialised installation, completion of buildings, and hire of construction and demolition equipment with operator.

Sources: Statistics and Census Service, Macau SAR; Ipsos research and analysis

INDUSTRY OVERVIEW

Total Revenue of the Biometric Identification Device Distribution Industry and segmented by contribution of the construction industry in Hong Kong and Macau

Total revenue of the biometrics identification device distribution industry and segmented by contribution of the construction industry in Hong Kong and Macau from 2011 to 2016 and forecast from 2017 to 2020



Source: Ipsos Research and Analysis (Note)

From 2011 to 2016, the estimated total revenue of the biometrics identification device distribution industry grew at a CAGR of approximately 9.5%, from HK\$326.5 million to HK\$514.7 million. The increase was attributed to the growing adoption of biometrics identification devices across different facilities including financial institutions, government and control points. Also, the estimated total revenue of the biometrics identification device distribution industry contributed by the construction industry rose from HK\$35.9 million in 2011 to HK\$61.3 million in 2016, with a CAGR of 11.1%, as a result of the rise in penetration rate of biometrics identification devices in the construction industry and the positive outlook of construction industry in Hong Kong and Macau. In future, it is forecast that the estimated total revenue of the biometrics identification device distribution industry will grow at a slightly slower CAGR of 7.0%, from HK\$555.9 million in 2017 to HK\$680.2 million in 2020 and the estimated total revenue of the biometrics identification device distribution industry contributed by the construction industry is estimated to grow from HK\$67.2 million in 2017 to HK\$75.7 million in 2020, representing a CAGR of 4.0%, the continual technological advancement in biometric technology is expected to be the contributing factor to industry growth. However, concerns on personal data privacy may hinder the development of the industry as the collection and usage of personal information may pose a concern to the users of biometric devices. Users may concern about data confidentiality and leakage. Therefore, the users may hesitate to use biometric devices.

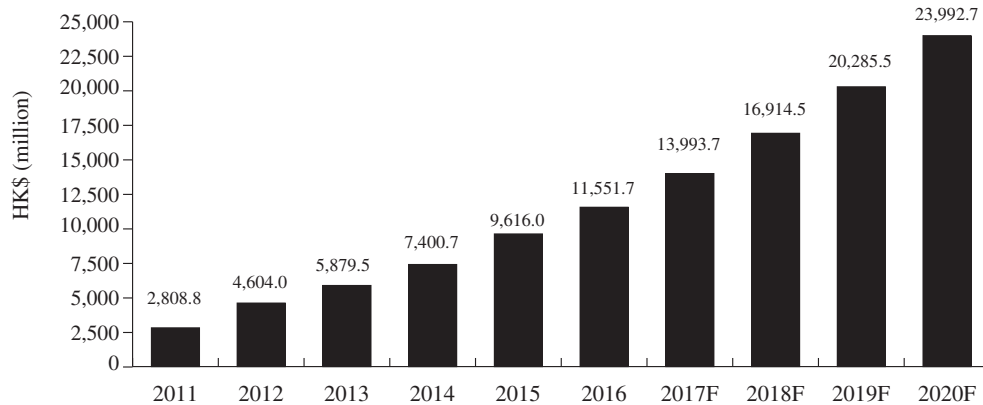
Overseas biometric device distributors operating in Hong Kong and Macau are included in the calculation. However, for overseas biometric device suppliers, they are manufacturers of the biometric devices which usually distribute their products through distributors. Therefore, overseas biometric device suppliers are excluded from the calculation, unless the suppliers have direct sales team in the Hong Kong and Macau market.

Note: The total revenue of the biometrics identification device distribution industry from 2011 to 2016 and forecast from 2017 to 2020 are calculated based on (i) fieldworks conducted by Ipsos; (ii) primary research through interviews conducted by Ipsos with industry experts; and (iii) Ipsos modeling system and analysis.

INDUSTRY OVERVIEW

Total Sales Value of the Biometrics Identification Device Distribution Industry in the PRC

Total sales value of biometrics identification devices in the PRC from 2011 to 2016 and forecast from 2017 to 2020



Note: The total sales value is calculated based on data from Ipsos's internal database and primary research, such as expert interviews.

Source: Ipsos Research and analysis

The sales value of biometrics identification devices in the PRC increased considerably from HK\$2,808.8 million in 2011 to HK\$11,551.7 million in 2016, representing a CAGR of 32.7%. In the forecast period, the sales value of biometrics identification devices in the PRC is expected to increase from HK\$13,993.7 million in 2017 to HK\$23,992.7 million in 2020, at a more moderate CAGR of 19.7%. The increase is driven by the growing application of biometrics identification devices in different sectors due to the growing requirements to enhance security and improve public services.

The Price Range of Biometrics Identification Devices

The price range of biometrics identification devices depends on the following criteria: (i) whether installation service and solution support is included; (ii) the type of biometrics identification device (iii) the purchase quantity; and (iv) origin/brand of the biometrics identification device.

The table below sets forth the approximate hardware unit price ranges for the biometric identification devices in the PRC, Hong Kong and Macau:

Key types of biometrics identification devices	Hong Kong and Macau market	The PRC market
Fingerprint scanner	HK\$500–16,000	RMB100–10,000
Facial identification scanner	HK\$500–60,000	RMB150–60,000
Iris identification scanner	HK\$7,000–60,000	RMB5,000–60,000
Finger vein scanner	HK\$10,000–30,000	RMB1,000–20,000
Hand geometry	HK\$10,000–23,000	RMB10,000–20,000
Multi-biometric scanner	N/A	RMB5,000–50,000

Notes:

- (1) Price range for multi-biometric scanners in the Hong Kong and Macau market is denoted as "N/A" since insufficient reliable samples of data can be obtained for a meaningful analysis. Also, multi-biometric scanners are less popular in Hong Kong and Macau as compared to that in the PRC.
- (2) The approximate hardware unit price ranges are obtained based on data from Ipsos's internal database and primary research, such as expert interviews.

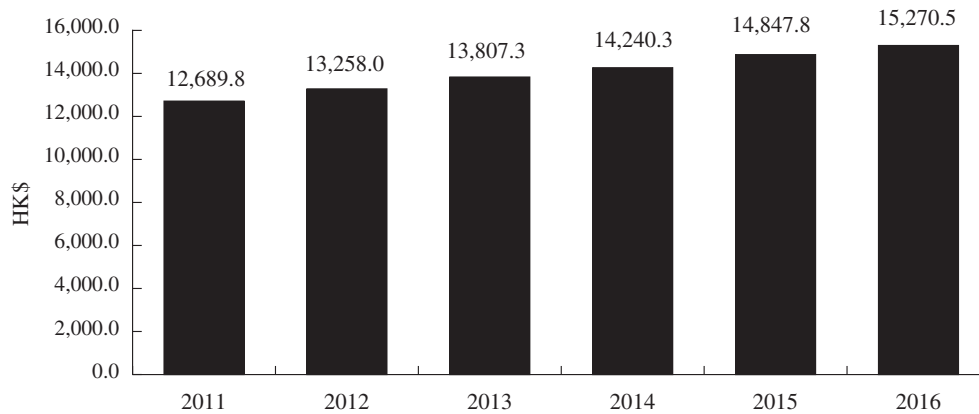
INDUSTRY OVERVIEW

Supplier Landscape of the Biometric Identification Devices in Hong Kong

In the Hong Kong market, biometric identification devices are mainly imported from manufacturers/suppliers originated from various places, such as Taiwan, Korea, Europe and the PRC. The suppliers are more likely to supply fingerprint identification devices since the technologies for fingerprint identification are relatively mature than that of the others, such as hand geometry identification.

The supply market of biometric identification devices in Hong Kong is considered to be fragmented. There are different brands of biometric identification devices in the Hong Kong market which may have very low brand recognition and are only sold in retail channel. On the other hand, some brands are commonly seen in Hong Kong including those of Supplier B, Supplier A, Supplier F and the other suppliers.

Monthly average labor cost in Hong Kong from 2011 to 2016



Sources: Labor Department, Hong Kong SAR; Ipsos Research and Analysis

From 2011 to 2016, the monthly average labor cost in Hong Kong rose from HK\$12,689.8 to HK\$15,270.5 respectively, rising at a CAGR of approximately 3.7%. The moderate increase can be attributed to the launch of the Statutory Minimum Wage. According to the DSEC, the monthly average labor cost in Macau increased from MOP12,882.3 in 2011 to MOP17,007.7 in 2016, at a CAGR of approximately 5.7%.

According to the National Bureau of Statistics of China, the average monthly salary of employees in the biometrics identification device distribution industry³ in the PRC increased from RMB3,581.8 in 2011 to RMB5,315.7 in 2015 at a CAGR of 10.4%. This increase was primarily due to inflation, labor supply shortage and the revision of the Labor Contract Law of the PRC³.

COMPETITIVE ANALYSIS OF THE BIOMETRICS IDENTIFICATION DEVICE DISTRIBUTION INDUSTRY IN HONG KONG AND MACAU

There are 40 major biometrics identification device distributors and approximately 160 other players who also sell biometrics identification devices in Hong Kong and Macau. The rivalry among existing biometric identification device distributors in the industry is high and the market is relatively

³ The average monthly salary of employees in the biometrics identification device distribution industry refers to the salaries of software engineers, hardware engineers, salespersons, technical support personnel, project managers and administrative staff.

INDUSTRY OVERVIEW

fragmented with no dominant player. The top five companies had a combined market share of 23.2% in 2016. The Group had a market share of 11.0% in 2016 in terms of revenue in the biometrics identification device distribution industry in Hong Kong and Macau. The Group recorded approximately HK\$38.7 million revenue from sales of biometrics identification devices (including other services) to construction industry customers in Hong Kong and Macau for the year ended 31 March 2017, accounting for approximately 63.1% of the total biometrics identification device distribution market contributed by the construction industry in 2016.

Top Five Hong Kong Biometrics Identification Device Distributors with main business in Hong Kong and Macau in 2016

Ranking	Name of Biometrics Identification Device Distributors	Headquarters	Biometrics Identification Device Distribution Value in 2016 (HK\$ million)	Market Share	Key Products Provided
1	The Group	Hong Kong	56.7	11.0%	Fingerprint identification, face identification, hand geometry identification, iris identification and finger vein identification devices
2	Company A	Hong Kong	20.6	4.0%	Fingerprint identification, face identification and hand geometry identification devices
3	Company B	Hong Kong	16.2	3.1%	Fingerprint identification devices
4	Company C	Hong Kong	14.0	2.7%	Face identification devices
5	Company D	Hong Kong	12.2	2.4%	Face identification devices
	Others		395.0	76.8%	
Total			<u>514.7</u>	<u>100.0%</u>	

Notes:

- (1) The revenue of the companies in the ranking table mainly includes the sales of biometrics identification devices and related devices and accessories, service income such as maintenance, installation and software configuration, as well as software licensing income.
- (2) The Group revenue only includes (i) the sales of biometrics identification devices; (ii) the sales of other devices and accessories; (iii) service income; (iv) software licensing income; and (v) other.
- (3) The Group's revenue is recorded from 1 April 2016 to 31 March 2017.
- (4) The Group's revenue is considered to be comparable to the competitors' revenue in 2016.
- (5) The information of top five Hong Kong biometrics identification device distributors was collected and calculated based on (i) fieldworks conducted by Ipsos; (ii) primary research through interviews conducted by Ipsos with industry experts; and (iii) Ipsos modeling system and analysis.
- (6) Top five biometric device distributors in Hong Kong and Macau were selected mainly based on (i) the key products the distributors provide; and (ii) the headquarters of the distributors.

Source: Ipsos Research and Analysis

INDUSTRY OVERVIEW

The selling price range of the Group's fingerprint identification devices was higher than those of top two to five biometric identification device distributors, which was mainly due to the fact that the Group provides both fingerprint identification devices with and without touchscreen function while the other top two to five distributors only provide fingerprint identification devices without touchscreen function. If the selling price range for fingerprint identification devices with touchscreen function is excluded, the selling price range of the Group's fingerprint identification devices would be similar to those of the other top two to five biometric identification device distributors. For the year ended 31 March 2017, the Group's average selling prices and gross profit margin for each fingerprint identification device with touchscreen function was approximately HK\$11,000 and 53.0% while the Group's average selling prices and gross profit margin for each fingerprint identification device without touchscreen function was approximately HK\$4,000 and 44.5% respectively. The Group's revenue from the fingerprint identification devices with touchscreen function for the two years ended 31 March 2017 and the four months ended 31 July 2017 were approximately 0.8%, 0.7% and 0.3% of the Group's revenue from biometric identification devices respectively.

The selling price range of the Group's face identification devices was higher than those of the top two to five biometric identification device distributors, which was mainly due to the fact that the Group provides both 2D and 3D face identification devices while other top two to five distributors provide 2D face identification devices only. If the selling price range for 3D face identification devices is excluded, the selling price range of the Group's face identification devices would be similar to those of the other top two to five biometric identification device distributors. For the year ended 31 March 2017, the Group's average selling prices and gross profit margin for each 3D face identification device was approximately HK\$37,000 and 31.9% while the Group's average selling prices and gross profit margin for each 2D face identification device was approximately HK\$7,000 and 44.6% respectively. The Group's revenue from the 3D face identification devices for the two years ended 31 March 2017 and the four months ended 31 July 2017 were approximately 2.0%, 3.0% and nil of the Group's revenue from biometric identification devices respectively.

The selling price range of the Group's hand geometry identification devices was similar to those of the other top two to five biometric identification device distributors. Among the top five biometric identification device distributors, only the Group provides iris identification devices and finger vein identification devices. According to the Ipsos Report, fingerprint and facial identification devices are the major products in Hong Kong and Macau markets. Due to the relatively higher security level of iris identification devices and finger vein identification devices as compared to that of the fingerprint and facial identification devices, iris identification devices are generally applied in premises such as financial institutions, healthcare facilities and hospital, while finger vein identification devices are generally applied in premises such as bank branches which require higher security level.

Entry Barriers for Biometrics Identification Device Distribution Industry in Hong Kong and Macau

The major entry barrier to the biometrics identification device distribution industry in Hong Kong and Macau is the requirement for investment in research and technical specialists for the customisation of biometrics software according to the needs of different end-users. It may be challenging for new entrants with a low level of capital to make the required investment in research and technical specialists which would enable them to undertake higher value-added work.

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Opportunities for Biometrics Identification Device Distribution Industry in Hong Kong and Macau

The key opportunities to the biometrics identification device distribution industry in Hong Kong and Macau include the introduction of higher accuracy finger vein identification and multi-biometric systems, which could respond to customers' demand for more reliable and secure devices. Finger vein identification and multi-biometric systems have low false acceptance rate and false recognition rate, making them a reliable security solution to customers with high security demand. In addition, the positive outlook of the construction industry will drive demand for biometrics identification devices from this customer segment. According to the 2017 Policy Address, public housing construction is expected to sustain the development of the construction industry. In addition to the proposed new development areas (NDAs), such as Kwun Tong North, Fanling North NDAs, Hung Shui Kiu NDA and Yuen Long South Development, the demand for biometric devices is expected to be supported by the construction industry for purposes of access control to the construction sites and time attendance. The adoption of biometric identification devices is expected to increase in the banking industry for user authentication. For instance, Bank of China (Hong Kong) has launched finger vein authentication at all branches by the end of 2017.

Threats for Biometrics Identification Device Distribution Industry in Hong Kong and Macau

Despite the fact that currently there is no direct substitute for biometrics identification devices, the prominent use of less accurate and inexpensive security devices such as Personal Identification Numbers (PIN), passwords and smart cards also compete with biometrics identification devices.

COMPETITIVE ANALYSIS OF THE BIOMETRICS IDENTIFICATION DEVICE DISTRIBUTION INDUSTRY IN THE PRC

The biometrics identification device distribution industry in the PRC is relatively fragmented with more than approximately 10,000 manufacturers, system integrators, distributors and retailers. Unlike the biometrics identification device distribution industry in Hong Kong, many Mainland Chinese biometrics identification device manufacturers also act as distributors and retailers. Some large companies have the ability to manufacture and distribute biometrics identification devices while providing integrated biometric solutions to customers. In 2016, the Group recorded revenue of approximately HK\$6.8 million in the PRC, which accounted for a 0.1% share of the total sales of biometrics identification devices in the PRC.

As low-end biometrics identification devices account for the majority of the market, these companies primarily target at the mass market. Lower priced devices are generally manufactured in the PRC and Southeast Asia by major manufacturers. They generally sell their products for approximately RMB100 to RMB5,000 per unit. Additionally, lower-priced devices are generally designed for a limited number of users, storing approximately 500 to 1,000 biometric data sets. Higher-priced devices, however, are primarily sourced from Japan, the Republic of Korea, Europe and the United States with a higher quality, longer durability, larger storage capacity and fewer errors. The products of key brands, such as Supplier B and Supplier Group F, are generally used in financial institutions, government departments and large manufacturing plants for access control of a larger number of users. Demand for biometrics identification devices in the PRC is primarily driven by the low-end market due to the fact that the high-end biometrics identification devices are too expensive to many Chinese customers. For instance, approximately 70% to 80% of biometric products focus on the low-end market while 20% to 30% of biometrics identification devices are targeted at the high-end market.

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Entry Barriers for Biometrics Identification Device Distribution Industry in the PRC

The major entry barrier to the biometrics identification device distribution industry in the PRC is the high research and development requirements. Research and development capacity is a key factor for biometrics identification device distribution companies to differentiate themselves from other competitors in light of the extensive competition.

Opportunities for Biometrics Identification Device Distribution Industry in the PRC

A key opportunity is the “Smart City” policy, which will increase the application of digital technologies in urban management in the PRC. “Smart City” is one of the 30 major development targets for Chinese cities by 2030. It is a new model of urbanisation with the aim of improving public services and people’s living standards through IT solutions. With increasing urbanisation and the implementation of the “Smart City” policy, there is likely to be an increasing application of digital technology as well as information and communication technology to cities in the PRC. Biometric technology is an important component of the “Smart City” policy because it helps to enhance the security level while collecting data which can be used for big data analysis. For instance, biometric devices are installed in residential buildings for access control. Chengdu is planning to introduce biometric devices for its health care services in medical institutions, such as e-registry and e-payment, according to the China Communications Industry Association.

Threats for Biometrics Identification Device Distribution Industry in the PRC

The threats to the biometrics identification device distribution industry in the PRC include the lack of standardisation regarding the product quality and system features, the increasing concern for privacy, and the fact that regulations and laws related to biometric information protection have not kept pace with the development of the industry.

Competitive Advantages of the Group in the Biometrics Identification Device Distribution Industry

The Group is considered to have the following competitive advantages in the biometrics identification device distribution industry in Hong Kong and Macau:

- **Solid relationship with suppliers:** The solid relationship of the Company with its suppliers brings forth a number of advantages. For instance, the good relationship allows the Group to secure a stable supply of inventory and negotiate for a better price for the inventory in order to maintain a good profit margin. Manufacturers are also more responsive to emergency situations or to any special requests.
- **Customised software integration solutions:** In general, the features of the standardised biometric software available in the market may not be able to meet the unique needs of each client. To increase the competitiveness, the Group provides software customisation services according to the specific requirements of the end-users. For instance, the Group is capable of developing or customising software to integrate the access control and payroll systems for casinos. In addition, the in-depth understanding of their products allows the Group to better develop and customise software to integrate with other systems.

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The Group is considered to have the following competitive advantages in the biometrics identification device distribution industry in the PRC:

- **Distributor of international biometrics identification devices brands:** The Group is one of the few biometrics identification device distributors in the PRC distributing biometrics identification devices from international brands (products of which are perceived by end-users as higher quality and more durable), which differentiates the Group from other market players.
- **Provider of value-added solutions:** The ability to provide biometric solutions is a key value-added service in the industry and enables the Group to differentiate itself from other biometrics identification devices distributors. The number of employees of the Group's software development department was 4, 5 and 5 persons respectively for the two years ended 31 March 2017 and the four months ended 31 July 2017, while that of the Group's technical support department was 4, 2 and 1 person(s) respectively. The Group has the ability to undertake solution customisation and application development.

The Group has a good reputation and strong partnership with customers. For example, the Group primarily distributes biometrics identification devices of international brands, which are generally perceived as high product quality and powerful. In addition, given the strong software development department and technical support department, the Group is well-recognised with its software development capability through its services provided.

SOURCES OF INFORMATION

Ipsos Report

The Company has commissioned Ipsos, an independent market researcher, to conduct an industry analysis of and produce the Ipsos Report at a fee of HK\$786,000. The "Industry Overview" section contains information extracted from the Ipsos Report for the purpose of this prospectus. The market research covers the historical years of 2011 to 2015 and the base year of 2016. The forecast years are 2017 to 2021.

Ipsos is a subsidiary of Ipsos S.A., a global market research company headquartered in Paris, France and was listed on the Paris Stock Exchange. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Research Methodology

The information contained in the Ipsos Report was undertaken through both primary and secondary research obtained from various sources. Primary research involved customer consultation and interviews with key stakeholders and industry experts, including associations and experts, key competitors, brand owners, exporters, distributors and retailers in the biometrics identification device industry. Secondary research involved desk research conducted by Ipsos including, but not limited to, specialised industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database maintained by Ipsos. Intelligence

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gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. Ipsos Report may be affected by the accuracy of these assumptions and the choice of these parameters.

Reliability of Information and Future Forecast in the Ipsos Report

The Company is of the view that sources of information used in this section, which is extracted from the Ipsos Report, are reliable and not misleading as Ipsos is an independent reputable professional research agency with extensive experience in their profession.

Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. The Sponsor and the Company consider such information to be reliable, accurate and not misleading after taking into account the following factors:

- (a) Ipsos is an independent reputable research agency with extensive experience in their profession;
- (b) although the Ipsos Report includes forecasts of the development of the biometrics identification devices industry, it does not contain performance forecast of the Group.

The Directors confirm that to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing customer consultation to obtain background information of the Group; and (c) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

HONG KONG

Regulations relating to employment

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

The Group employs certain employees in Hong Kong and is therefore subject to the no-fault and non-contributory employee compensation system for work injuries established by the Employees' Compensation Ordinance. The Employees' Compensation Ordinance lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities under both the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years, or on summary conviction, to a fine of HK\$100,000 and to imprisonment for one year.

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

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

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

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

The employees may be exposed to injuries whilst providing installation, maintenance and other services to the Group's customers. The management team is responsible for providing safety and health protection to employees in workplaces in accordance with the Occupational Safety and Health Ordinance.

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

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

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

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

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

The Group is subject to the Minimum Wage Ordinance, which provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

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

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

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

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

Regulations relating to the business operations of the Group

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

The installation, maintenance and/or repairing of certain security devices by the Group may involve security work. Under the Security and Guarding Services Ordinance, individuals and companies offering security services are regulated under a permit and a licence system respectively.

According to section 11 of the Security and Guarding Services Ordinance, no person other than a company acting under and in accordance with a licence issued in accordance with the Security and Guarding Services Ordinance shall supply, agree to supply, or hold itself out as supplying any individual to do security work for another person for reward.

Under the current security company licence regime, there are three types of security work in which a company holding a licence may perform which include (i) the provision of security guarding services; (ii) the provision of armoured transportation services; and (iii) installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device. A “security device” under the Security and Guarding Services Ordinance means a device designed or adapted to be installed in any premises or place, except on or in a vehicle, for the purpose of detecting or recording (a) the occurrence of any offence; or (b) the presence of an intruder or of an object that persons are, for reasons of security, not permitted to bring onto the premises or place or any other premises or place.

The security company licence is generally valid for a period of five years, and is renewable on payment of the prescribed fee, at the discretion of the Security and Guarding Services Industry Authority. SE Engineering obtained type III of the security company licence in 2003, 2008 and 2013 respectively. The Directors have confirmed that SE Engineering had not in the past been refused by the relevant authorities the grant or renewal of a security company licence on application.

According to section 10 of the Security and Guarding Services Ordinance, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so (i) under and in accordance with a permit issued in accordance with the Security and Guarding Services Ordinance; or (ii) otherwise than for reward.

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Under the current security personnel permit regime, there are four categories of security work in which a person holding a permit may perform: (i) Category A: guarding work restricted to a “single private residential building”, the performance of which does not require the carrying of arms and ammunition; (ii) Category B: guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunition and which does not fall within Category A; (iii) Category C: guarding work, the performance of which requires the carrying of arms and ammunition; and (iv) Category D: installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device).

The Directors have confirmed that all of the staff of the Group who were engaged in installation, maintenance and/or repairing of certain security devices of the Group during the Track Record Period and up to the Latest Practicable Date had duly obtained the Category D permits and to the best of the Directors’ Knowledge, had not in the past been refused by the relevant authorities the grant of such permits on application.

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

Under the Telecommunications Ordinance, companies possessing and dealing in the course of trade or business in apparatus or material for radio communications or in any component parts in Hong Kong, are required to obtain a Radio Dealers Licence (Unrestricted) from OFCA. A Radio Dealers Licence (Unrestricted) is not expressly worded to apply to security device and service providers. However, certain security devices and security device related apparatus of the Group may use radio frequency as a means of communication of information stored in contactless smart cards to smart card readers through related apparatus. Accordingly, the possessing and dealing in the course of trade, importing and exporting of such smart card readers, smart card related apparatus and security device require the Radio Dealers Licence (Unrestricted).

OFCA is empowered to direct a licensee of a Radio Dealers Licence (Unrestricted) to demonstrate that the licensee’s services comply with any technical requirements imposed by the relevant legislation or any other regulations that may be issued by OFCA.

A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of OFCA.

Each of SE Engineering, SE Technology and SE R&D has obtained a Radio Dealers Licence (Unrestricted) since October 2015.

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

The Group’s operations include providing installation, maintenance and/or repairing of certain security devices and are subject to the Factories and Industrial Undertakings Ordinance, which provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, it is the duty of the proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include in particular:

- providing and maintaining plant and work systems that do not endanger safety or health;

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- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

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

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

The Group's major customers consist mainly companies from the construction industry. The Construction Workers Registration Ordinance provides for, among other things, the registration of construction workers and the regulation of construction workers personally carrying out construction work.

In Hong Kong, the recruitment of construction workers should comply with the Construction Workers Registration Ordinance and the subsidiary regulations.

The Construction Workers Registration Ordinance implements a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades division may be carried out only by registered skilled workers for that trade division.

Under the Construction Workers Registration Ordinance, "construction work" means, inter alia, the construction, erection, installation or reconstruction of any specified structure, addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure, and any building operation involved in preparing for any operation above. "Construction site" means a place where construction work is, or is to be, carried out.

No person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied that, inter alia, the person has attended the relevant construction work-related safety training courses. Further, the Registrar of construction workers shall not renew the registration of a person unless the Registrar of construction workers is satisfied that (i) the person has attended relevant construction work-related safety training course and (ii) if the registration will, on the date of its expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Workers Registration Authority may specify.

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Under section 3(1) of the Construction Workers Registration Ordinance, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$10,000.

Under section 5, any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits an offence and is liable on conviction to a fine of HK\$50,000.

Construction Workers Registration System (“CWRS”)

In view of the sustainable development of the construction industry, the need to collect more accurate data for planning the training programmes as well as manpower supply for the construction industry and the industry demand for enhancing and improving the existing computerised system, the CIC started to develop the CWRS in 2013. The CWRS aims to provide the industry with an automated and convenient platform to collect and manage daily attendance records. The new CWRS is developed for the implementation of the registration system for construction workers as required by the Construction Workers Registration Ordinance.

The CWRS has already been operating smoothly at various construction sites. With the launch of the CWRS, contractors now have a wide choice of card readers including android mobile phones, card reading devices developed by vendors and the CIC devices. Where applicable, contractors can also choose from a variety of biometric authentication systems. The CWRS and its associated CIC DAR Application started gradually replacing the CRMS and its associated Site Attendance Module Programme (“SATM”) from December 2015. The CWRS has been fully implemented and replaced CRMS since 30 September 2017.

MACAU

Regulatory Regime to which SE Macau is subject in relation to Labour Matters in Macau

The legal regime in relation to labour matters in Macau is mainly based on the following legislations:

18th of October — Decree Law No. 58/93/M (approval of social security regime), partially revoked by 2nd of April 2007 — Administrative Regulation No. 6/2007, 27th of October 2009 — Law n.º 21/2009, 23rd of August 2010 — Law No. 4/2010;

14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) partially amended 13th of August 2001 — Law n.º 12/2001, 20th November 2006 — Executive Order No. 48/2006 (partially revoked by Executive Order No. 41/2008, amended by Executive Order No. 48/2007), 17th of December 2007 — Law No. 6/2007, 13th of September 2010 — Executive Order No. 89/2010;

22th of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);

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18th of February — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights);

2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion);

14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);

18th of August — Law No. 7/2008 (Labour Relation Law); and

27th of October — Law No. 21/2009 (Law of Hiring non-resident workers).

The legal regime of labour matters in Macau is developed based on 27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects.

In addition to the above-mentioned legislations, 18th of August — Law No. 7/2008 (Labour Relation Law) plays an important role in the labour legal regime which has become effective since 1 January 2009 and has replaced the “old labour law” — 3rd of April 1989 — Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be waived by mutual agreement. All the working conditions of labour relations should not be worse than the basic conditions stipulated in such law.

All employees of SE Macau are required to be Macau residents, non-permanent or permanent, holders of working permits in case of foreign workers. Hiring of non-resident workers by SE Macau shall comply with the 27th of October — Law No. 21/2009 (Law of Hiring non-resident workers) to obtain the working permits for foreign workers. Except for certain limited situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) workers other than Macau residents or holders of working permits will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation. In accordance with Administrative Regulation no. 17/2004, it is provided that when a company incorporated in Macau engages with a company incorporated outside of Macau, specialised technicians can be appointed to provide services in Macau, given the specificity of their function. However, the period of stay of such specialised technicians in Macau within six months cannot exceed a 45 day period altogether. SE Macau engaged SE Engineering and two technicians were appointed to provide services to SE Macau in 2013. SE Macau did not hire any employees during the Track Record Period. Since October 2013, SE Macau has engaged a subcontractor to provide the on-site installation and maintenance process in Macau, and hence ceased to engage the services of SE Engineering.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局), respectively.

PRC

SE Shenzhen is required to comply with a number of PRC laws and regulations to carry out its operating activities. The relevant PRC laws and regulations applicable to the business of SE Shenzhen are set out below.

1. Laws and Regulations Relating to Foreign Investment

- (1) Investment in the PRC by foreign investors and foreign-owned enterprises (the “**Foreign Party**”) is governed by the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (the “**Provisions**”), which was promulgated on 11 February 2002 and came into effect on 1 April 2002, and the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”), which was updated in 1995, 2002, 2004, 2007, 2011, 2015 and 2017.

The Provisions and the Catalogue divide foreign investment industries into three categories: the encouraged industry, the restricted industry, and the prohibited industry. Industries listed in the encouraged category are opened to the Foreign Party who usually can further enjoy supportive policies of the local government. Investment in the restricted industries can only be conducted by the Foreign Party within the scope of the relevant regulatory authority’s approval or in the form of Sino-foreign equity or contractual joint ventures (usually with Chinese investors as the majority shareholder required). Prohibited industries are closed to foreign investment. Industries which are not listed in the Catalogue are generally classified as the permitted category. SE Shenzhen is operating in the industry of electronic device manufacturing and distribution, which is a permitted industry as it is not listed in the Catalogue.

- (2) The Ministry of Commerce of the PRC (the “**Ministry of Commerce**”) or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation. SE Shenzhen has obtained all the necessary government approvals and licences for its establishment, continued existence, business and operations.
- (3) Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprise (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Provisional Measure**”), promulgated by the Ministry of Commerce and came into force on 8 October 2016 and amended on 30 July 2017 as well as other applicable laws and regulations in the PRC.

2. Laws and Regulations Relating to Importation and Exportation of Goods

- (1) Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers (《對外貿易經營者備案登記辦法》) (the “**Record-keeping and Registration Measures**”), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year and amended on 18 August 2016, foreign trade dealers who are engaged in the import or export of goods or

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technologies shall register with the Ministry of Commerce or its authorized bodies unless such registration is not required under the laws and administrative regulations and/or by the Ministry of Commerce.

- (2) According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Foreign Trade Right by Foreign-funded Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》), which was promulgated and came into effect on 17 August 2004, when foreign-funded enterprises which were duly established before 1 July 2004 apply for the addition of any import/export business to its approved scope of business, they must, in accordance with the Record-keeping and Registration Measures, complete the formalities of business addition to the enterprises' business licences and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration on the strength of the approval certificate for its establishment, business license with the business addition made, and any other document as required under the Record-keeping and Registration Measures.
- (3) Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated on 13 March 2014 and amended on 20 December 2017, “consignor or consignee of export or import goods” means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local customs authorities in accordance with the applicable provisions. After completing the registration formalities with customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. A PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of 2 years.
- (4) Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee of the National People's Congress on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017 and related regulations, the declaration of import and export goods maybe made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises can make declarations without registering with the PRC Customs in accordance with the law.
- (5) Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the National People's Congress on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules. According to the aforesaid law and its implementation regulations, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局) (“AQSIQ”) shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine

authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

3. Laws and regulations relating to taxation

(1) *Income tax*

- (a) Prior to 1 January 2008, the income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) (the “**FIE Tax Law**”) and the Implementation Rules to the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法實施細則》) (the “**Implementation Rules**”).

Pursuant to the FIE Tax Law and the Implementation Rules, income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which had establishments or places in Special Economic Zones engaged in production or business operations, or on foreign-invested enterprises that were production-oriented and established in Economic and Technological Development Zones, was levied at the reduced rate of 15%. Income tax on foreign-invested enterprises which were production-oriented and established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located was levied at the reduced rate of 24%. Any production-oriented foreign-invested enterprise that was scheduled to operate for a period of not less than ten years was exempted from income tax for two years commencing from the first profit-making year and was allowed a 50% reduction for the following three consecutive years. After the expiry of the tax exemption and reduction period set forth by the FIE Tax Law, foreign-invested enterprises engaged in product export may be allowed a 50% reduction in accordance with the FIE Tax Law under the condition that its production value for export reaches 70% of its annual output value in the same year. Export enterprises established in the Special Economic Zones or in the Economic and Technological Development Zones, and other export enterprises which had already enjoyed the reduced rate of 15%, may be taxed at a rate of 10%, when satisfying the condition said above.

- (b) Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**New Tax Law**”) and its implementation rules, which became effective on 1 January 2008 and amended on 24 February 2017 tax payers are divided into resident

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enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has income sources in the PRC. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

The Implementation Rules to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Rules to the New Tax Law**”), which was promulgated on 6 December 2007 and came into effect on 1 January 2008, provides relief during the transition period that applies to enterprises established before 16 March 2007 in certain circumstances, namely: (i) if a foreign-invested enterprise is entitled to enjoy reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years from 2008; and (ii) if a foreign-invested enterprise is entitled to enjoy tax exemptions for a fixed period under laws and regulations, it can continue to enjoy such exemptions until expiry of the fixed period. However, if an enterprise has not started to enjoy the tax exemptions due to a lack of profit, year 2008 shall be regarded as the first profit-making year and the year from which the enterprise shall be entitled to enjoy tax exemptions.

Pursuant to the Notice on the Policy of Enforcing Transitional Preferential Treatment of Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) promulgated on 26 December 2007, for the enterprises that were established prior to the promulgation of the New Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations, their income tax rates shall be gradually transferred to the tax rate provided in the New Tax Law within five years after the New Tax Law is promulgated. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of the New Tax Law until the fix term expires. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires. However, for those that have failed to enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as of the year when the New Tax Law is promulgated.

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(2) Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the “**Provisional Regulations on VAT**”) which was promulgated on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and Detailed Rules for the Implementation of the Interim Regulation of the People’s Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated on 25 December 1993 and amended on 15 December 2008 and 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17%, and in certain limited circumstances is 11% or 6%, subject to the products involved. During the Track Record Period, the Group was liable to pay VAT for sales of products and provision of auxiliary and other services.

According to the Decisions of the Standing Committee of the National People’s Congress on the Application of Provisional Regulations on Tax such as VAT, Consumption Tax and Business Tax to Foreign-invested Enterprises and Foreign Enterprises. (《全國人民代表大會常務委員會關於外商投資企業和外國企業適用增值稅、消費稅、營業稅等稅收暫行條例的決定》), which was promulgated and came into effect on 29 December 1993, foreign-invested enterprises whose products are exported directly or through export enterprises shall be granted a VAT rebate, in accordance with the Provisional Regulations on VAT.

According to the Circular of the State Administration of Taxation on Tax-exemption for Processing with Customers’ or Imported Materials by Foreign-invested Enterprises (《國家稅務總局關於外商投資企業來料加工、進料加工的免稅的通知》), which was promulgated and came into effect on 10 October 2000, goods imported by foreign-invested enterprises in the way of processing and trade shall be exempt from VAT and consumption tax. The processed goods, after export, shall be exempt from VAT and consumption tax resulted from the processing charges.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax — the Appendix III Provisions on Transitional Policies for the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, technology consulting and technical services relating to technology transfer and research and development provided by taxpayer will be exempted from value-added tax (VAT) given that the taxpayer has fulfilled the requirement of the Circular. The requirement and extract of the Circular is set forth below:

1. Technology transfer and research and development refers to the business activities falling within the scope of “technology transfer” and “research and development services” set out in the Explanatory Notes on Sales of Services, Intangible Assets and Real Property. Technical consulting refers to feasibility argumentation, technical forecast, special technical investigation, analysis and evaluation reports provided for specific technical projects and other business activities.

Technology consulting and technical services relating to technology transfer and research and development refer to the technology consulting and services provided by the assignor (or the entrusted party) under a technology transfer or research and

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development contract to make the technology assigned (or developed as entrusted) accessible to the assignee (or entrusting party), for which one invoice shall be issued for payments for the technology consulting and technical services and payments for the technology transfer or research and development.

2. Filing procedures. When applying for VAT exemption, a pilot taxpayer shall have a written technology transfer or research and development contract certified by the competent provincial department of science and technology in the place where the taxpayer is located and file the relevant written contract and the documentary evidence on the review opinion from the competent department of science and technology with the competent tax authority for record and future reference.

Save as aforesaid, the Company's legal advisers as to PRC law confirmed that the VAT exemption enjoyed by SE Shenzhen for contracts in relation to technology development work (委託開發合同) is legal and effective until further amendments or updates as to the relevant laws and regulations in the PRC, and that SE Shenzhen was exempt from paying the VAT for contracts in relation to technology development work during the Track Record Period after the fulfillment of the abovementioned filing procedures.

(3) Customs duties

Import and export business of foreign-invested enterprises are governed by the Regulations on Import and Export Duties of the PRC (《中華人民共和國進出口關稅條例》), which was promulgated on 23 November 2003 and came into effect on 1 January 2004, and amended on 8 January 2011, 7 December 2013, 6 February 2016 and 1 March 2017, the Circular of General Administration of Customs on relevant Import Tax Policies for Further Encouraging Foreign Investment (《海關總署關於進一步鼓勵外商投資有關進口稅收政策的通知》), which was promulgated on 22 November 1999 and came into effect on 1 September 1999 and the Circular of the Ministry of Foreign Trade and Economic Cooperation on relevant issues concerning the import of equipments by foreign-invested enterprise (《對外貿易經濟合作部關於外商投資企業進口設備有關問題的通知》), which was promulgated and came into effect on 8 November 2000, and other applicable laws and regulations. According to such provisions, foreign-invested enterprises, when satisfying certain conditions, may be exempted from import duties and taxes for import of equipments, technologies and accessories.

The processing business of subsidiaries of the Group in the PRC is governed by the announcement of the General Administration of Customs on Relevant Issues Concerning the Collection of Export Duties for Exporting Tax-Payable Products under the Processing and Trade Item (《關於對加工貿易項下出口應稅商品徵收出口關稅有關問題》), which was promulgated on 4 April 2003 and came into effect on 1 May 2003. According to this announcement, export of tax-payable products that are processed solely by use of imported materials shall not be subject to export duties.

4. Laws and regulations relating to foreign exchange

(1) Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Rules**”), which was promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008. Under these rules, the Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfers, direct investment, investment in securities, derivative products or loans, unless prior approval of the State Administration of Foreign Exchange (“SAFE”) or of its branches was obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the foreign exchange administrative authority for paying dividends by providing certain evidencing documents (such as board resolutions and tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or filing with the relevant governmental authorities (if necessary).

(2) Dividend distribution

The principal regulations governing distribution of dividends paid by PRC enterprise include (i) the Company Law; (ii) the “FIE Law”; (iii) the “Implementation Rules to FIE Law”; (iv) the Law of PRC on Sino-Foreign Equity Joint Ventures and the Rules for Implementation of the Law of PRC on Sino-Foreign Equity Joint Ventures. Under the above laws and regulations, domestic companies and foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The Notice on Issues relating to the Implementation of the Dividend Provision in Tax Treaties* (關於執行稅收協定股息條款有關問題的通知) (the “**Notice 81**”) was promulgated on 20 February 2009 by the SAT. The Notice 81 reaffirms the qualification for dividend recipient to enjoy tax preferential of being levied at 5% rate as following: (i) the recipient of the dividend must

be a corporation; (ii) the recipient's ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential.

5. Laws and regulations relating to security products

- (1) The manufacturing and trading of security products in Guangdong Province are governed by Guangdong Safety Technology and Prevention Regulation (《廣東省安全技術防範管理條例》) and the Implementation Rules of Guangdong Safety Technology and Prevention Regulation (《廣東省安全技術防範管理條例實施辦法》), which were promulgated on 7 July 2002 and amended on 23 July 2010 and promulgated and effective on 15 November 2002 respectively. Under these rules, any person who is engaged in the manufacture of safety technology and prevention products (“**Security Products**”) shall obtain approval for manufacture from the provincial public security authority; any person who is engaged in the sales of Security Products shall obtain recordation and registration issued by the public security authority of county level or above; any person who is engaged in the design, construction or maintenance activities of security system shall obtain the registration qualification certificate issued by the public security authority of local municipal level. The Guangdong Safety Technology and Prevention Regulation stipulates that Security Products means those specialized product used in security activity with the function including but not limited to intrusion prevention, anti-robbery, anti-theft, anti-sabotage, anti-explosion.

In addition, according to the law and regulations such as the Anti-terrorian Law of the People's Republic of China (《中華人民共和國反恐怖主義法》) and Guangdong Safety Technology and Prevention Regulation (《廣東省安全技術防範管理條例》), the Implementation Rules of Guangdong Safety Technology and Prevention Management (《廣東省安全技術防範管理實施辦法》), which were promulgated on 27 May 2017 and came into force on 1 August 2017, were formulated in combination with the actual situation of Guangdong.

- (2) According to The Notice on cancelling Sale Recordation of Safety Technology and Prevention Products (《關於取消辦理安全技術防範產品銷售備案的通知》) which came into effect in the year of 2004, the sale recordation of security products has been cancelled; according to The Decision of the State Council on cancelling the Second Batch of 152 Items Subject to Administrative Examination and Approval by Local Governments Designated by the Central Government (Guo Fa [2016] No. 9) (《國務院關於第二批取消152項中央指定地方實施行政審批事項的決定》(國發[2016] 9號)) which came into effect on 3 February 2016, the approval for manufacturing security products by the provincial public security authority has been cancelled as well. However, the approval of design, construction or maintenance activities of security system is still required.
- (3) SE Shenzhen is principally engaged in the sale of biometrics identification devices and the provision of application software and related after-sales services, among which the products sold by SE Shenzhen are categorised as security products under the Guangdong Safety Technology and Prevention Regulation. However, approval for the sales of such products is not required by the laws. The after-sales services provided for those products by SE

Shenzhen do not constitute the “engaging in security system construction, repair activities” provided by the Safety Technology and Prevention Regulation and its Implementation Rules, and no registration qualification certificate is needed. Apart from the after-sales services which include installation, software configuration, remote diagnostic service by telephone support and return of damaged hardware to supplier for repair, SE Shenzhen does not provide maintenance service in the PRC. According to the laws mentioned above, the Company’s legal advisers as to PRC law are of the view that no approval or registration of the business operation SE Shenzhen in the PRC is required.

6. Laws and Regulations relating to market competition, product quality, and consumer protection

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”), which was promulgated on 2 September 1993 and amended on 4 November 2017.

According to the Anti-Unfair Competition Law, corporations, other economic organisations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order.

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993, came into effect on 1 January 1994 and amended on 27 August 2009 and 25 October 2013.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all producers and distributors involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

7. Laws and regulations relating to environmental protection

The subsidiaries of the Group in the PRC are subject to the national and local environmental protection laws and regulations, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was promulgated and came into effect on 26 December 1989 and amended on 24 April 2014, the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on 11 May 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) which was promulgated on 5 September 1987 and amended on 29 August 1995, 29 April 2000 and 29 August 2015, the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) which was promulgated on 29 October 1996 and came into effect on 1 March 1997, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) which was promulgated on 30 October 1995 and amended on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) which was promulgated and came into effect on 29 November 1998 and amended on 16 July 2017.

Environmental protection measures include the disposal of sewage, waste gas, noise as well as solid waste. Any entity that discharges pollutants exceeding the national or local discharge standards shall pay fees for the excessive discharge of pollutants. Meanwhile, it shall be subject to the regular or irregular inspections and spot checks by the environmental protection department.

Individuals or enterprises who violate the environmental protection laws shall be subject to penalties of different strength by the responsible authorities, including warnings, fines, orders for rectification within the specified period, orders for cease of production, orders for re-installation or use of the pollution prevention facilities that are removed without authorisation or left unused, administrative sanctions on the persons in charge as well as orders for closedown of the enterprises.

8. Laws and regulations relating to fire safety and production safety

- (1) According to the Fire Control Law of the PRC (《中華人民共和國消防法》), which was promulgated on 29 April 1998 and amended on 28 October 2008, the fire safety facility design and construction of a construction project shall conform to the state technical standards on fire control. The construction unit, design unit, contractor unit and the supervision unit shall be legally liable for the quality of the fire safety design and construction of the project. Upon the completion of a construction project containing a fire control design conducted in accordance with requirements of the State Technical Standards on Fire Control for Engineering Construction, the project must go through acceptance check or filing on fire control in accordance with the relevant provisions.,
- (2) According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, production units shall comply with this law and other laws and regulations relevant to production safety, strengthen production safety management, establish and optimize the production safety responsibility system, improve the production safety conditions and ensure the safety of production. Persons in charge of the production unit shall be fully responsible for the production safety of the unit. Employees in the production unit are entitled to be

secured of production safety and shall carry out its own obligations with respect to the production safety. For those do not comply with the laws, the regulatory authorities have the right to impose fines, order them to suspend operations and revoke their business licenses. Criminal liability may be incurred in serious cases.

9. Laws and regulations relating to labor and social insurance

- (1) According to the Labor Law of the PRC (《中華人民共和國勞動法》) which was promulgated on 5 July 1994 and amended on 27 August 2009 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was promulgated on 29 June 2007, came into effect on 1 January 2008 and amended on 28 December 2012, to establish a labor relationship, a written labor contract should be concluded. The wages paid by the employer to the employee shall not be less than the minimum wage rate in the place where the employer is located. In certain circumstances, financial compensation shall be paid to the employee if the employer terminates its employment relationship with the employee. The employer shall provide relevant education and training to the employee; Employers are also required to provide healthy and safe working conditions in conformity with the relevant national rules and standards and provide regular healthy checks for the employees who are engaged in hazardous work.
- (2) According to the Labor Law of the PRC, the Labor Contract Law of the PRC, the Provisional Regulations on Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》) which was promulgated and came into effect on 22 January 1999, the Interim Measures on the Administration of Registration of Social Insurance (《社會保險登記管理暫行辦法》) which was promulgated and came into effect on 19 March 1999, and the Regulations on Labor Security Supervision (《勞動保障監察條例》) which was promulgated on 1 November 2004 and came into effect on 1 December 2004, employers shall pay social insurance for employees as prescribed by laws.

Pursuant to the Decision of the State Council on Establishing a Unified System of the Basic Pension Insurance for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which was promulgated and came into effect on 16 July 1997, the Circular on Relevant Issues concerning the Improvement of the Basic Pension Insurance Policy for Urban Employees (《關於完善城鎮職工基本養老保險政策有關問題的通知》) which was promulgated and came into effect on 22 December 2001, the Regulations on Work-Related Injury Insurance (《工傷保險條例》) which was promulgated on 27 April 2003 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) which was promulgated and came into effect on 22 January 1999, the Circular on the Issuance of Provisions on the Administration of Basic Medical Insurance for Urban Employees (《關於印發城鎮職工基本醫療保險業務管理規定的通知》) which was promulgated and came into effect on 5 January 2000, the Trial Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) which was promulgated on 14 December 1994 and came into effect on 1 January 1995 and related regulations, employers are required to pay pension insurance, work-related injury insurance, unemployment insurance, medical insurance as well as maternity insurance for employees.

REGULATORY OVERVIEW

In addition to the above, the regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time for regulation. Besides, the Social Insurance Law of the PRC (《社會保險法》) which was effective from 1 July 2011 specifying the payment of the pension insurance, work-related injury insurance, unemployment insurance, medical insurance and the maternity insurance in detail.

- (3) The Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on 3 April 1999 and amended on 24 March 2002, requires enterprises to register with the relevant housing provident fund management centre within 30 days from the date of establishment, open housing provident fund accounts with the designated bank and pay and deposit housing provident fund for employees with the rate not less than five percent of the average monthly salary of the employee concerned in the previous year.

The regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time to regulate the payment for housing provident fund.

10. Laws and regulations relating to intellectual property

In China, the intellectual property was generally classified into patent, trademark, copyright and software copyright, which are protected respectively by the PRC Patent Law (《中華人民共和國專利法》) promulgated in 1984 and amended in 1992, 2000, 2008 respectively, the PRC Trademark Law (《中華人民共和國商標法》) promulgated in 1982 and amended in 1993, 2001 and 2013, the PRC Copyright Law (《中華人民共和國著作權法》) promulgated in 1990 and amended in 2001 and 2010 respectively and the Computer Software Copyright Registration Measures (Order of the National Copyright Administration of the PRC (No. 1)) (《計算機軟件著作權登記辦法》(國家版權局令第1號)) promulgated and implemented by National Copyright Administration on 20 February 2002.

11. Approval of the Reorganisation and proposed Listings

On 8 August 2006, six PRC governmental and regulatory agencies, including Ministry of Commerce and the China Securities Regulatory Commission, promulgated the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009. According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the China Securities Regulatory Commission, prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

REGULATORY OVERVIEW

According to the Guiding Book on the Access Administration of Foreign Investment (《外商投資准入管理指引手冊》) (The 2008 Version), which was promulgated by Foreign Investment Department of the Ministry of Commerce (商務部外資司) on 18 December 2008, M&A Rules do not apply to the merger and equity transfer of an established foreign-invested enterprise.

According to the Company's legal advisers as to PRC laws, the M&A Rules do not apply to the Reorganisation as the Controlling Shareholders are not PRC residents. The acquisitions were happened among overseas enterprises and no domestic enterprises were involved in the Reorganisation.

12. Overseas investment by domestic residents

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”), which was promulgated and effective on 4 July 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 75”). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“SPC”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

SAFE Circular No. 37 does not apply to the Controlling Shareholders, as they are all permanent residents of Hong Kong and have no habitual residences within the territory of China. The Controlling Shareholders are not required to file with the foreign exchange registration under SAFE Circular No. 37.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

The Group's business commenced in 1999 when Mr. Jackson Yuen, Mr. Tony Yuen and an Independent Third Party founded SE Technology with their personal wealth. At the beginning, SE Technology was principally engaged in the business of software programming. In 2001, SE Technology started to develop its biometrics identification solutions.

In 2003, the Group expanded its software business to cover the distribution and installation of the hardware of biometrics solutions to complement the Group's business in relation to software solutions for biometrics identification solutions.

Set forth below are the Group's key business milestones:

Year	Major development and achievement
1999	SE Technology was founded and started its business of software programming
2001	SE Technology started to develop its biometrics identification solutions
2004	SE Macau was set up for the purpose of carrying out installation and maintenance of security system, information technology software and hardware in Macau
2006	SE Technology started business relationship with one of the top five suppliers of the Group during the Track Record Period
2010	"Time Expert Biometrics Identification Management System", the software solution developed by the Group, was awarded "PCM Biz.IT Excellence 2010 in IT Solution Excellence (Construction Sites Industry)" by PC Market magazine
2012	SE Engineering started to provide spot check and time recording software solutions for pocket PC to its customers
2014 to 2017	SE Technology received Hong Kong Star Brand Award issued by the Hong Kong Small and Medium Enterprises Association
2016	SE Technology was awarded the "Most Reliable Security Solution Provider" issued by the Mediazone Limited
2018	SE Shenzhen was recognised as one of the most influential security brands in the PRC in 2017 by China Public Security ("CPS中安網") and China Public Security Publisher ("中國公共安全雜誌社")

CORPORATE HISTORY OF THE GROUP

The Group consists of the Company, Power Truth, SE Engineering, SE R&D, SE Technology, SE Macau and SE Shenzhen.

The Company

The Company was incorporated in the Cayman Islands on 16 October 2015. Upon completion of the Reorganisation and the change in the Company's share capital set out in this section, the Company has become the holding company of its subsidiaries.

HISTORY, DEVELOPMENT AND REORGANISATION

Power Truth

On 28 August 2014, Power Truth was incorporated in the BVI with limited liability. Upon incorporation, 28 shares, 28 shares and 5 shares were allotted and issued fully paid at par to Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen respectively. On 31 March 2015, Power Truth further allotted and issued 252 shares, 252 shares and 45 shares to Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen at the subscription prices of HK\$15,937,050, HK\$15,937,050 and HK\$2,845,900 respectively. Power Truth was then owned by Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen as to 45.9%, 45.9% and 8.2% respectively.

Upon completion of the pre-IPO investment by Super Arena (see the paragraphs headed “Pre-IPO investment” below) and the Reorganisation (see the paragraphs headed “Reorganisation” below), Power Truth has become a direct wholly-owned subsidiary of the Company, and acts as an intermediate holding company holding the entire issued share capital of SE Engineering, SE R&D and SE Technology and 96% of the share capital of SE Macau.

SE Engineering

SE Engineering was incorporated in Hong Kong on 9 April 2001 with limited liability. Upon incorporation, one share was allotted and issued fully paid at par to each of the two subscribers who are Independent Third Parties. On the same date, each of the two subscribers transferred its share to Mr. Jackson Yuen and Mr. Tony Yuen respectively at par.

On 23 July 2003, SE Engineering allotted and issued 9,998 shares to Global Technology^(Note) fully paid at par. As a result, SE Engineering became owned as to 99.98% by Global Technology and 0.01% by each of Mr. Jackson Yuen and Mr. Tony Yuen.

On 27 April 2015, 9,998 shares, 1 share and 1 share of SE Engineering were transferred from Global Technology, Mr. Jackson Yuen and Mr. Tony Yuen to Power Truth for HK\$13,819,048, HK\$1 and HK\$1 respectively which were determined with reference to the then net asset value of SE Engineering. As a result, SE Engineering became wholly owned by Power Truth.

SE Engineering is principally engaged in the sales of biometrics identification devices and securities products and the provision of system installation, application software and repair and maintenance services.

Note: Global Technology was incorporated in Hong Kong with limited liability on 30 May 2003. Global Technology had been the holding company of certain members of the Group during the period between July 2003 and April 2015 before it disposed of its shareholdings in SE Macau on 29 January 2015 and its shareholdings in SE Engineering, SE R&D, SE Technology, Smart Yield and Systec on 27 April 2015 to Power Truth.

Since its incorporation and up to the Latest Practicable Date, more than 50% of the issued shares of Global Technology were owned by Mr. Jackson Yuen and Mr. Tony Yuen. As at the Latest Practicable Date, Global Technology had been owned as to 28% by Mr. Jackson Yuen, 28% by Mr. Tony Yuen, 5% by Ms. Pauline Yuen, 23% by Mr. Wong Wing Fai Winfred, 7% by Mr. Louie Lok Bill and 9% by Ms. Danielle Sun.

HISTORY, DEVELOPMENT AND REORGANISATION

SE R&D

SE R&D was incorporated in Hong Kong on 30 May 2003 with limited liability. Upon incorporation, one share was allotted and issued to each of Mr. Jackson Yuen and Mr. Tony Yuen fully paid at par.

On 9 July 2003, SE R&D allotted and issued 999,998 shares to Global Technology fully paid at par. As a result, SE R&D became owned as to 99.9998% by Global Technology and 0.0001% by each of Mr. Jackson Yuen and Mr. Tony Yuen.

On 27 April 2015, 999,998 shares, 1 share and 1 share of SE R&D were transferred from Global Technology, Mr. Jackson Yuen and Mr. Tony Yuen to Power Truth for HK\$6,503,317, HK\$1 and HK\$1 respectively which were determined with reference to the then net asset value of SE R&D. As a result, SE R&D became wholly owned by Power Truth.

SE R&D acts as an intermediate holding company for the entire equity interest of SE Shenzhen, and is engaged in the sales of biometrics identification devices and security products and the provision of application software.

SE Technology

SE Technology was incorporated in Hong Kong on 7 June 1999 with limited liability. Upon incorporation, one share was allotted and issued to each of Mr. Tony Yuen and an Independent Third Party fully paid at par.

On 28 June 1999, SE Technology allotted and issued 4,000 shares, 3,999 shares and 1,999 shares to each of Mr. Jackson Yuen, Mr. Tony Yuen and the Independent Third Party fully paid at par. As a result, SE Technology became owned as to 40% by Mr. Jackson Yuen, 40% by Mr. Tony Yuen and 20% by an Independent Third Party.

On 27 March 2001, the Independent Third Party transferred 1,500 shares to another Independent Third Party and 500 shares to Mr. Tony Yuen at par. As a result, SE Technology became owned as to 45% by Mr. Tony Yuen, 40% by Mr. Jackson Yuen and 15% by an Independent Third Party.

On 30 April 2001, Mr. Tony Yuen, Mr. Jackson Yuen and the Independent Third Party transferred 4,499 shares, 4,000 shares and 1,500 shares to Glory Capital Technology Limited (“**Glory Capital**”)^(Note) at par. On the same date, 1,490,000 shares were allotted and issued fully paid at par to Glory Capital. As a result, SE Technology became owned as to 99.9999% by Glory Capital and as to 0.0001% by Mr. Tony Yuen.

On 28 August 2003, 1,499,999 shares of SE Technology were transferred from Glory Capital to Global Technology at par. As a result, SE Technology became owned as to 99.9999% by Global Technology and as to 0.0001% by Mr. Tony Yuen.

Note: Glory Capital is a company incorporated in Hong Kong with limited liability. On 30 April 2001, Glory Capital was owned as to 45% by Mr. Tony Yuen, 40% by Mr. Jackson Yuen and 15% by an Independent Third Party. On 31 August 2002, the Independent Third Party transferred his 5% interest in Glory Capital to Mr. Tony Yuen and 10% interest to Mr. Jackson Yuen. As a result, Glory Capital became owned as to 50% by each of Mr. Tony Yuen and Mr. Jackson Yuen, and Glory Capital’s shareholding structure had remained as such until 28 August 2003 when Glory Capital disposed of all its shareholding interest in SE Technology to Global Technology.

HISTORY, DEVELOPMENT AND REORGANISATION

On 27 April 2015, 1,499,999 shares and 1 share of SE Technology were transferred from Global Technology and Mr. Tony Yuen to Power Truth for HK\$4,971,242 and HK\$1 which was determined with reference to the net asset value of SE Technology on the date of the transfers. As a result, SE Technology became wholly owned by Power Truth.

SE Technology has been principally engaged in the sales of biometrics identification devices and security products and the provision of application software.

SE Macau

SE Macau was incorporated in Macau on 13 September 2004, with a share capital of MOP25,000 which was fully subscribed and divided into two quotas, of which one quota with nominal value of MOP24,000 (which represented 96% of the share capital) was held by Global Technology and one quota with nominal value of MOP1,000 (which represented 4% of the share capital) was held by SE Technology.

On 29 January 2015, Global Technology transferred the one quota with MOP24,000 to Power Truth for MOP9,147,239.45 which was determined with reference to the then net asset value of SE Macau.

SE Macau has been principally engaged in the sales and provision of installation and maintenance of security and information technology systems.

SE Shenzhen

SE Shenzhen was established in the PRC on 22 October 2003 by SE R&D as a limited liability company with a registered capital of HK\$1,000,000 paid up by SE R&D separately on 7 January 2004 and 21 October 2004.

On 9 August 2010, the board of SE Shenzhen approved the increase of the registered capital from HK\$1,000,000 to HK\$5,000,000. The increased balance of the registered capital was fully paid up by SE R&D on 22 October 2010.

On 15 October 2015, the board of SE Shenzhen approved to increase the registered capital from HK\$5,000,000 to HK\$10,000,000. The increased balance of registered capital was settled separately on 16 November 2015 and 17 December 2015.

A branch office of SE Shenzhen was set up in Beijing on 27 May 2009 mainly for liaison purpose, and was later closed and deregistered on 17 June 2015 and thereafter the functions of such branch office was assumed by the office of SE Shenzhen in Shenzhen.

SE Shenzhen has been principally engaged in the sales of biometrics identification devices and the provision of application software and related after-sales services.

HISTORY, DEVELOPMENT AND REORGANISATION

Subsidiaries disposed of during Track Record Period

Systec

Systec was incorporated by Global Technology under its former name “Globaltech (Asia) Limited” in Hong Kong as a limited liability company on 26 May 2008. On 14 February 2013, Systec changed its name to “Systec Management Services Limited” with a business focus on providing security guarding services. The then business of Systec mainly involved the provision of guarding services by deploying security guards, and therefore the business nature was fundamentally different and could be clearly delineated from that of the Group and its operation was basically independent of the members of the Group, except that the Group generated revenue of approximately HK\$40,000, HK\$23,000 and nil from Systec for the sales of goods/provision for services for each of the two years ended 31 March 2017 and the four months ended 31 July 2017, and SE Technology assisted Systec in some administrative and human resources management and charged Systec management fee of approximately HK\$48,000 for the year ended 31 March 2016. On 21 September 2015, Power Truth disposed of 1,800,000 shares of Systec (which represented all of Power Truth’s shareholding interests in Systec) to Fine Day for HK\$2,529,847 which was determined with reference to the costs of acquisition of 90% of the shareholding of Systec by Power Truth from Global Technology on 27 April 2015. To the best of the Directors’ knowledge after making all reasonable enquiries (including but not limited to conducting criminal litigation searches against Systec), Systec did not have any material regulatory non-compliance during the Track Record Period.

The cash flows of Systec generated from its operating activities in the ordinary and usual course of business before changes in working capital and taxes paid for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 were approximately HK\$1,121,000, HK\$2,522,000 and HK\$2,308,000 respectively.

Smart Yield

Smart Yield was incorporated in Hong Kong with limited liability on 10 January 2014. Smart Yield was set up by an initial subscriber which later transferred its share to Global Technology on 10 March 2014. Smart Yield invested in a company (the “Investee”) which was engaged in the installation, maintenance, repair and security systems design. As at 30 September 2015, Smart Yield held 15.0% of shareholding interest in the Investee and the cost of investment is HK\$1,500. Apart from the investment holding of the interest in the Investee, Smart Yield has no other business activities. The Investee and Subcontractor A have a common shareholder. Since the Investee is an insignificant investment of Smart Yield, on 21 September 2015, Power Truth disposed of the entire issued share capital of Smart Yield to Fine Day for HK\$15,731 which was determined with reference to the costs of acquisition of Smart Yield by Power Truth from Global Technology on 27 April 2015. The Investee was also disposed of by Smart Yield to an Independent Third Party at the consideration of HK\$1,500 in November 2015.

Systec and Smart Yield were excluded from the Group structure as security guarding and investment holding are not considered by the Directors to be related to the Group’s core business in biometrics identification solution. The business of Systec mainly involves the provision of guarding service by deploying security guards, and therefore its business model is fundamentally different from that of the Group and its operation is basically independent of the members of the Group. To the best of

HISTORY, DEVELOPMENT AND REORGANISATION

the Directors' knowledge after making all reasonable enquiries (including but not limited to conducting criminal litigation searches against Smart Yield), Smart Yield did not have any material regulatory non-compliance during the Track Record Period.

The cash flows of Smart Yield used in its operating activities in the ordinary and usual course of business before changes in working capital and taxes paid for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 were HK\$11,000, HK\$6,000 and HK\$8,000 respectively.

PRE-IPO INVESTMENT

Overview

Power Truth (as issuer), Super Arena (as subscriber), Mr. Kor and Mr. Chou (together as warrantors) entered into a subscription agreement on 27 July 2015 (the “**Super Arena Subscription Agreement**”) pursuant to which Power Truth issued and allotted 390 shares to Super Arena at the consideration of HK\$14,000,000 which was determined with reference to the then net asset value of Power Truth. The said allotment of shares was completed on 27 July 2015⁽¹⁾ and upon completion, Power Truth was owned as to 39% by Super Arena. Super Arena was in turn owned as to approximately 82.35% and 17.65% by Mr. Kor and Mr. Chou respectively.

On 30 September 2015, Super Arena entered into a subscription agreement with HF Fund pursuant to which HF Fund agreed to subscribe for the 8% coupon convertible bonds issued by Super Arena in the aggregate principal amount of HK\$4,000,000 (the “**Pre-IPO Convertible Bonds**”) and the issuance of the Pre-IPO Convertible Bonds by Super Arena to HF Fund was completed on 9 October 2015⁽²⁾. On 30 September 2016, a supplemental letter was entered into between Super Arena and HF Fund for extending the maturity date of the Pre-IPO Convertible Bonds from 30 September 2017 to 30 September 2018.

On 26 January 2018, the Pre-IPO Convertible Bonds was converted into the shares of Super Arena upon the Company receiving the approval in principle of the Listing by the Stock Exchange. Upon full conversion of the Pre-IPO Convertible Bonds, HF Fund became interested in 15% of the entire issued share capital of Super Arena.

Background of Super Arena and its beneficial owners

Super Arena is a company incorporated in Seychelles and was owned as to 82.35% and 17.65% by Mr. Kor and Mr. Chou respectively before the conversion of the Pre-IPO Convertible Bonds. Upon conversion of the Pre-IPO Convertible Bonds on 26 January 2018, Super Arena became owned as to 70%, 15% and 15% by Mr. Kor, Mr. Chou and HF Fund respectively. Super Arena is an investment holding company. Save for its investment in the Group, Super Arena is not involved in any other investment.

Notes:

- (1) The allotment of shares was completed on 27 July 2015, whilst the subscription money was settled by tranches from 25 August 2015 to 14 October 2015.
- (2) The instrument of the Pre-IPO Convertible Bond was dated 30 September 2015, whilst the certificate of the Pre-IPO Convertible Bond in the name of HF Fund was issued on 9 October 2015 upon receipt of the subscription money on the same date.

HISTORY, DEVELOPMENT AND REORGANISATION

Mr. Kor is an investor engaged in properties and securities investment. Mr. Kor is the president of HF Financial Group (China) Limited (formerly known as HF Financial Group Limited), the principal business of which is investment holding. Mr. Kor was introduced to the Group through a friend of Mr. Tony Yuen and he decided to invest in the Group because he was attracted by the Group's growth potential and prospect.

Mr. Chou is an investor engaged in properties and securities investment. Mr. Chou was appointed as the company secretary and authorised representative under Rule 5.24 of the GEM Listing Rules of the Company in November 2015 and the financial controller of the Company in November 2016. Mr. Chou served as the chief financial officer of HF Financial Group Limited (currently known as HF Financial Group (China) Limited) (and subsequently transferred to HF Management (China) Limited) between January 2015 and July 2016. Mr. Chou was introduced to the Group through a friend of Mr. Tony Yuen and he decided to invest in the Group because he was attracted by the Group's growth potential and prospect.

HF Fund is a private equity fund that provides long-term capital appreciation by investing in privately held equities and/or equity-related investments of portfolio companies. In the past, HF Fund has invested in the shares of certain listed companies in Hong Kong, such as Classified Group (Holdings) Limited (stock code: 8232) and On Real International Holdings Limited (stock code: 8245). It is managed by HF Asset Management, a corporation licensed to carry on type 9 (asset management) regulated activities under the SFO, and is wholly-owned by HF Financial Group (Hong Kong) Limited. Save for Super Arena's investment in the Company, the investment manager and directors of the HF Fund are Independent Third Parties.

Save as disclosed in this prospectus, to the best knowledge of the Directors, Super Arena and its beneficial owners (i.e. Mr. Kor, Mr. Chou and HF Fund) do not have any other relationship, whether present or past, with the Group, the Shareholders, the Directors, the senior management of the Group, any connected persons of the Company, any of their respective associates and they had been Independent Third Parties before their investment in the Group. The subscription of the shares of Power Truth by Super Arena as stated above was not financed directly or indirectly by any connected persons of the Company.

Pursuant to the Super Arena Subscription Agreement, Super Arena was granted the right to nominate one to two persons as Directors but Super Arena has waived such nomination right.

Save as disclosed in this prospectus, there is no special right granted to Super Arena or HF Fund in connection with their investments in the Group. Furthermore, HF Fund has not been and will not be granted any put option or any other similar arrangements to put back the shares of Super Arena after conversion of the Pre-IPO Convertible Bonds, whether before or after Listing.

Since Super Arena will become a substantial shareholder upon Listing, its shareholding in the Company will not be counted as part of the "public float" for the purpose of Rule 11.23 of the GEM Listing Rules.

HISTORY, DEVELOPMENT AND REORGANISATION

Lock-up requirements

Super Arena, Mr. Kor, Mr. Chou and HF Fund are presumed to be a group of controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) as at the date of this prospectus by virtue of their holding of interests in the Company through a common investment holding company, namely Super Arena, which held more than 30% of the voting rights in the Company. As such, Super Arena, Mr. Kor, Mr. Chou and HF Fund are subject to lock-up requirements under Rule 13.16A(1)(a) of the GEM Listing Rules, i.e. they shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Share in respect of which they are shown by this prospectus to be the beneficial owner in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the date of which dealings in the Shares commence on the Stock Exchange (the “**First Six-month Period**”).

However, as the shareholding interests of Super Arena (and thus those of Mr. Kor, Mr. Chou and HF Fund) will decrease to 29.25% (i.e. below 30%) as a result of the issue of the Offer Shares pursuant to the Share Offer (assuming the Offer Size Adjustment Option is not exercised), Super Arena, Mr. Kor, Mr. Chou and HF Fund are not subject to any lock-up requirements after the First Six-month Period.

Principal terms of the pre-IPO investments

Pre-IPO investment by Super Arena

The following table summarises the pre-IPO investment made by Super Arena in Power Truth.

Investor	Super Arena
Date of investment agreement	27 July 2015
Amount of investment	HK\$14,000,000 (inclusive of the HK\$4,000,000 paid by HF Fund for the Pre-IPO Convertible Bonds)
Settlement date of investment amount	14 October 2015
Investment cost per Share ⁽¹⁾	HK\$0.0598
Discount to the Offer Price ⁽²⁾	80.7%
Use of proceeds from the pre-IPO investment	As general working capital of Power Truth. The proceeds had been used up as at the Latest Practicable Date.
Benefits from the pre-IPO investment	Widen the Group’s capital base
Shareholding in the Company immediately upon Listing ⁽¹⁾	29.25%

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

- (1) Based on 234,000,000 Shares to be held by Super Arena upon completion of the Capitalisation Issue and the Share Offer, assuming the Offer Size Adjustment Option is not exercised.
- (2) Based on the Offer Price of HK\$0.31 per Share (being the mid-point of the indicative Offer Price range).

On the basis that the investment by Super Arena in the Group was completed more than 28 clear days before the date of submission of the initial listing application, the Sponsor confirms that such investment has complied with the Guidance Letters HKEx-GL29-12 (updated in March 2017) and HKEx-GL43-12 (updated in July 2013 and March 2017) of the Stock Exchange.

Pre-IPO investment by HF Fund

The following table summarises the pre-IPO investment made by HF Fund in Super Arena by way of the Pre-IPO Convertible Bonds.

Investor	HF Fund
Date of investment agreement	30 September 2015 (as amended by a supplemental letter dated 30 September 2016)
Amount of investment	HK\$4,000,000
Settlement date of investment amount	9 October 2015
Investment cost per Share ⁽¹⁾	HK\$0.1140
Discount to the Offer Price ⁽²⁾	63.2%
Use of proceeds from the pre-IPO investment	Received by Super Arena and used as part of the subscription money paid by Super Arena to Power Truth in relation to Super Arena's pre-IPO investment
Benefits from the pre-IPO investment	Widen the Group's capital base
Shareholding in the Company immediately upon Listing ⁽¹⁾	4.4%

Notes:

- (1) Based on 234,000,000 Shares to be held by Super Arena upon completion of the Capitalisation Issue and the Share Offer, assuming the Offer Size Adjustment Option is not exercised, and, for illustration purposes only, assuming HF Fund's 15% shareholding interest in Super Arena would represent an interest in 15% of Super Arena's shareholding in the Company, i.e. 35,100,000 Shares.
- (2) Based on the Offer Price of HK\$0.31 per Share (being the mid-point of the indicative Offer Price range).

HISTORY, DEVELOPMENT AND REORGANISATION

To the best of the knowledge of the Directors, the terms of the Pre-IPO Convertible Bonds were arrived at arm's length negotiation between HF Fund and Super Arena. The principal terms of the Pre-IPO Convertible Bonds issued to HF Fund are as follows:

Date of the subscription agreement	: 30 September 2015 (supplemented on 30 September 2016)
Aggregate principal amount	: HK\$4,000,000
Bond issuer	: Super Arena
Bond subscriber	: HF Fund
Interest rate	: 8% per annum
Interest payment date	: Interest is payable in arrears upon redemption on the Maturity Date (as defined below)
	No interest shall be payable by Super Arena if the entire conversion rights attached to the Pre-IPO Convertible Bonds are exercised before the Maturity Date
Maturity Date	: The date falling the expiry of 36 months from the date of issue of the instrument which constitutes the Pre-IPO Convertible Bonds, i.e. 30 September 2018, which may be extended, at the discretion of HF Fund, to the date falling six months from the original Maturity Date by service of HF Fund to Super Arena of not less than seven days' written notice in advance
Transferability	: The Pre-IPO Convertible Bonds shall not be permitted to be transferred at any time for so long as any part of the principal amount of any Pre-IPO Convertible Bonds remains outstanding. Notwithstanding this condition, HF Fund shall be permitted at any time to transfer the Pre-IPO Convertible Bonds with prior written consent of Super Arena provided that all the conditions imposed by Super Arena of such consent shall be fully fulfilled
Conversion	: Provided that Super Arena has produced documentary evidence to the satisfaction of HF Fund evidencing the approval in principle of the Listing granted by the Stock Exchange or other relevant authority or the Stock Exchange having no comment on this prospectus, HF Fund shall be deemed to have served on Super Arena the conversion notice exercising in full the entire conversion rights attaching to the Pre-IPO Convertible Bonds on the date of Super Arena producing such documentary evidence (the " Conversion Date ")

HISTORY, DEVELOPMENT AND REORGANISATION

On the Conversion Date, Super Arena shall allot and issue 1,725 shares of Super Arena under the Pre-IPO Convertible Bonds to HF Fund, which shall represent 15% of the entire issued share capital of Super Arena

Redemption

: Super Arena shall not be permitted to redeem the entire of or part of the outstanding amount under the Pre-IPO Convertible Bonds before the Maturity Date unless an event of default stated below has occurred

Any amount of the Pre-IPO Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued

Events of default

- : (i) default in the performance or observance by Super Arena of any of its obligations (including, without limitation, its undertakings) under the Pre-IPO Convertible Bonds and (where such failure is capable of remedy) such default shall continue for not less than 14 days after Super Arena has been requested by HF Fund to remedy such default;
- (ii) the holder of any encumbrances takes possession or a receiver is appointed of the whole or any substantial part of the asset or undertaking of Super Arena or its subsidiaries;
- (iii) any of Super Arena or its subsidiaries ceases or threatens to cease to carry on its business or a substantial part of its business, the cessation of which would materially and adversely affect the financial or business position of Super Arena, its subsidiaries, holding companies and associated companies (collectively, the “**Super Arena Group**”) as a whole;
- (iv) it becomes unlawful for Super Arena to perform all or any of its obligations under the terms and conditions of the instrument constituting the Pre-IPO Convertible Bonds or the Pre-IPO Convertible Bonds or the terms and conditions of the instrument constituting the Pre-IPO Convertible Bonds or the Pre-IPO Convertible Bonds shall for any reason cease to be in full force or effect or shall be declared to be void or illegal or be repudiated or the legality, validity, priority, admissibility in evidence or enforceability thereof shall be contested by Super Arena or Super Arena shall deny that it has any, or any further, liability or obligation under or in respect of the same;

HISTORY, DEVELOPMENT AND REORGANISATION

- (v) any of Super Arena or its subsidiaries becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy;
- (vi) a moratorium is agreed or declared in respect of any present or future indebtedness of any of Super Arena or its subsidiaries or any governmental agency or authority confiscates or seizes or compulsorily purchases or expropriates all or a material part of the assets or capital of any of Super Arena or its subsidiaries;
- (vii) a distress, execution or seizure before judgment is levied or enforced upon or sued against any part of the properties of any of Super Arena or its subsidiaries and is not discharged or stayed within sixty days thereof (or such longer period as HF Fund may consider appropriate in relation to the jurisdiction concerned);
- (viii) any event which occurs has an analogous effect to any of the events referred to in paragraphs (v) to (vii) above; or
- (ix) any of Super Arena or its subsidiaries shall be party to any material litigation or arbitration or administrative or criminal proceedings or such proceeding as threatened against any of them.

Without prejudice to the other provisions of the conditions, the principal amount outstanding under the Pre-IPO Convertible Bonds, together with any unpaid interest thereunder accrued from the date of issue of the Pre-IPO Convertible Bonds until the date of payment shall become immediately repayable on the occurrence of any of the above events if HF Fund by notice in writing to Super Arena demand repayment of the Pre-IPO Convertible Bonds.

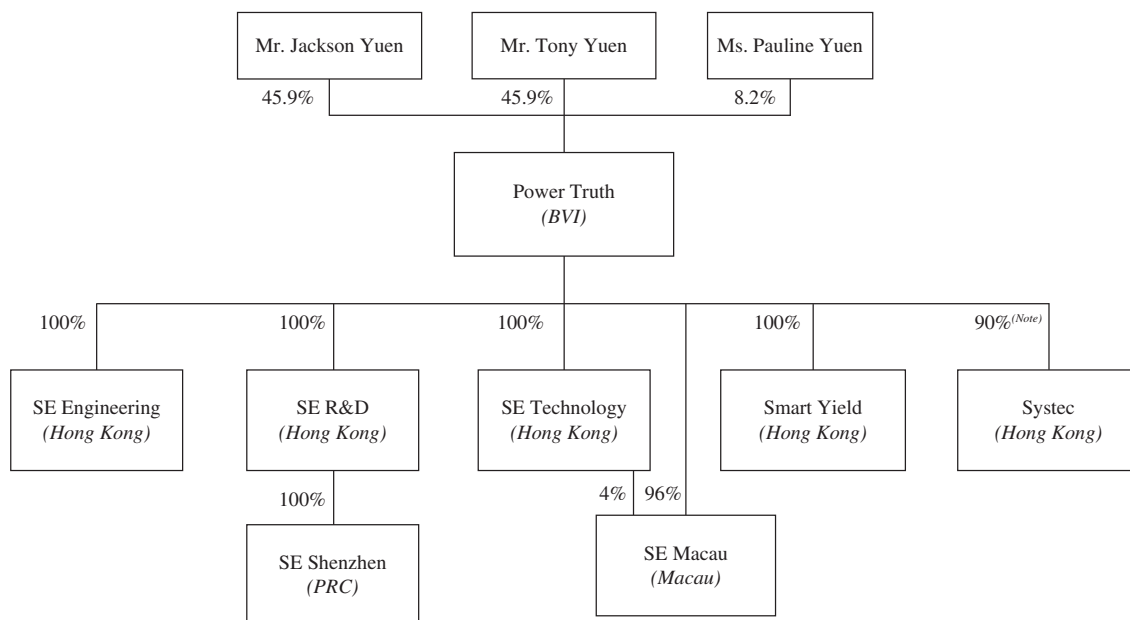
On 26 January 2018 (being the Conversion Date), Super Arena allotted and issued to HF Fund, credited as fully paid, 1,725 shares, which represented 15% of the entire issued share capital of Super Arena.

Since the subscription money for the Pre-IPO Convertible Bonds was fully settled on 9 October 2015 which was more than 28 clear days before the date of submission of the initial listing application, the Sponsor is of the view that the issue of the Pre-IPO Convertible Bonds is in compliance with the Guidance Letters HKEx-GL29-12 (updated in March 2017) and HKEx-GL43-12 (updated in July 2013 and March 2017) of the Stock Exchange.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The Group's corporate structure immediately before the pre-IPO investments and the Reorganisation is as follows:



Note: Systec was then owned as to 10% by Macrotech Security & Management Services Limited, an affiliated company of Subcontractor A.

In preparation for the Listing, the Company was incorporated in the Cayman Islands and the companies comprising the Group have undergone a group reorganisation to rationalise the Group structure.

The Reorganisation involved the following steps:

Disposal of Systec and Smart Yield

On 21 September 2015, Power Truth disposed of all its shareholdings in Systec and Smart Yield to Fine Day. See the sub-section headed “Corporate history of the Group — Subsidiaries disposed of during Track Record Period” in this section for further information of these disposals.

As a result of the above disposals, Systec and Smart Yield ceased to be members of the Group.

Reorganisation of Power Truth

Starting from 2013, Mr. Jackson Yuen decided to focus on the business of provision of security guarding services and accordingly, he agreed with Mr. Tony Yuen and Ms. Pauline Yuen that he should exercise his voting rights in any directors’ and shareholders’ meeting of Global Technology and the Group according to the direction and instructions of Mr. Tony Yuen for any matters relating to the business of the Group (the “**Family Arrangement**”). Pursuant to the Family Arrangement, Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen were accustomed

HISTORY, DEVELOPMENT AND REORGANISATION

to exercise their voting rights in all directors' and shareholders' meeting of Global Technology and the Group according to the direction and instructions of Mr. Tony Yuen for any matters relating to the business of the Group. In this connection, Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen executed a confirmatory deed, whereby Mr. Jackson Yuen and Ms. Pauline Yuen confirmed that they, being a concert party group, had been acting in concert with Mr. Tony Yuen from 1 January 2013 to 24 September 2015 (the date before Mr. Jackson Yuen ceased to be interested in the Group) and they, being a concert party group had, among other things, exercised their voting rights in relation to the business of the Group according to the directions and instructions of Mr. Tony Yuen.

On 25 September 2015, Mr. Jackson Yuen transferred 238 shares and 42 shares of Power Truth to Mr. Tony Yuen and Ms. Pauline Yuen, respectively in consideration of Mr. Tony Yuen and Ms. Pauline Yuen transferring 280 shares and 50 shares of Fine Day to Mr. Jackson Yuen respectively.

Mr. Jackson Yuen resigned from all his directorships of the Group by 14 October 2015.

Incorporation of Delighting View and the Company

On 2 July 2015, Delighting View was incorporated in the BVI with limited liability. Delighting View is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each, of which one share was allotted and issued fully paid at par to each of Mr. Tony Yuen and Ms. Pauline Yuen respectively. On 7 October 2015, Delighting View further allotted and issued 84 shares and 14 shares fully paid at par to Mr. Tony Yuen and Ms. Pauline Yuen respectively.

On 16 October 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 16 October 2015, one fully paid Share was allotted and issued to the subscriber, an Independent Third Party, at par who then transferred the same to Delighting View at par. On the same day, 390 Shares were allotted and issued to Super Arena and 609 Shares were allotted and issued to Delighting View fully paid at par.

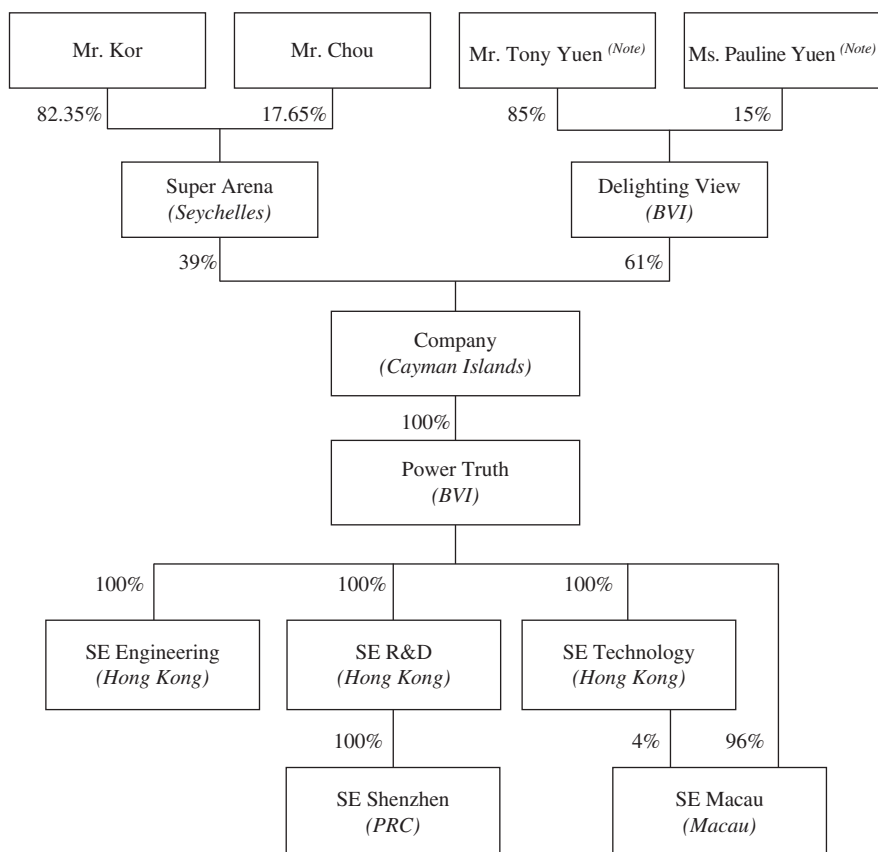
Acquisition of Power Truth by the Company

On 10 November 2015, Super Arena, Mr. Tony Yuen and Ms. Pauline Yuen transferred respectively 390 shares, 518 shares and 92 shares of Power Truth to the Company in consideration of the Company allotting and issuing 390 new Shares and 610 new Shares to Super Arena and Delighting View respectively, all credited as fully paid up in the capital of the Company. As a result, Power Truth became a direct wholly-owned subsidiary of the Company, whereas the Company remained owned as to 61% by Delighting View and 39% by Super Arena.

The Reorganisation steps set out above were properly completed in compliance with all relevant laws and regulations.

HISTORY, DEVELOPMENT AND REORGANISATION

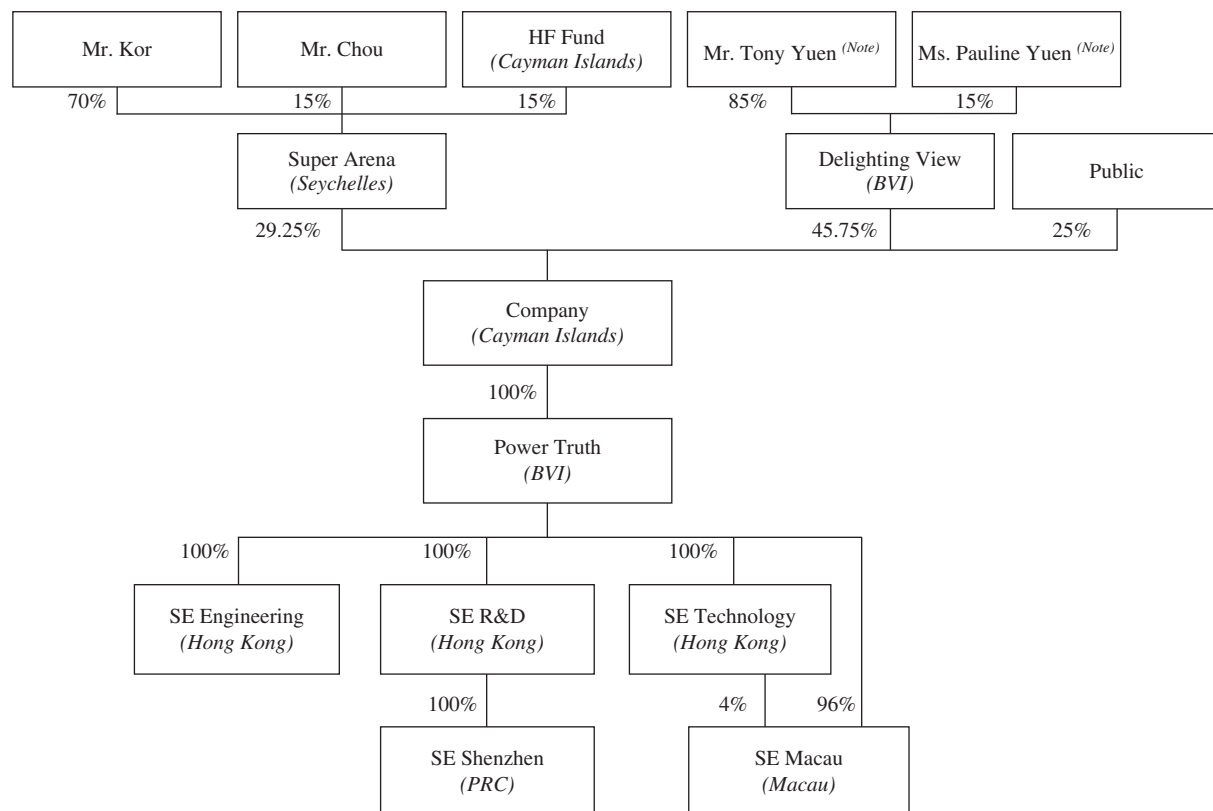
Upon completion of the Reorganisation but immediately before completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), the corporate structure of the Group is as follows:



Note: By a confirmatory deed dated 30 November 2015, Mr. Tony Yuen and Ms. Pauline Yuen confirmed that they had been and would continue to be acting in concert in relation to the Group's business, and Ms. Pauline Yuen would exercise her voting rights in the Group according to Mr. Tony Yuen's directions and instructions.

HISTORY, DEVELOPMENT AND REORGANISATION

Immediately after the completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer, (assuming the Offer Size Adjustment Option is not exercised), the corporate structure of the Group would be as follows:



Note: By a confirmatory deed dated 30 November 2015, Mr. Tony Yuen and Ms. Pauline Yuen confirmed that they had been and would continue to be acting in concert in relation to the Group's business, and Ms. Pauline Yuen would exercise her voting rights in the Group according to Mr. Tony Yuen's directions and instructions.

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. The Group markets itself using the brand “Solution Expert”. According to the Ipsos Report, the Group is the top biometrics identification device distributor in Hong Kong and Macau in terms of the biometrics identification device distribution value in 2016 with market share of approximately 11.0%.

Depending on the requirements of customers, the Group would provide biometrics identification solutions which generally comprise one or one group of biometrics identification devices with certain other devices and accessories supported by certain software provided by the Group. The Directors believe that the key difference between the Group and other distributors who do not provide biometrics identification solution lies in the Group’s ability to provide the software “Time Expert”. As part of the biometrics identification solutions, “Time Expert” was developed by the Group mainly for employee management, access control, time attendance, reporting and facilitating regulatory compliance. It is typically applied in access control and attendance management by using the Group’s biometrics identification devices or other card system devices. “Time Expert” is capable of supporting labour intensive business environment with complicated work shift arrangement such as casino and catering industries. “Time Expert” is compatible with different kinds of biometrics identification devices procured by the Group and can be integrated with customers’ own systems in order to streamline their business operation.

The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. The Group’s identification devices have one or more of the following functions: (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification, while its competitors have a narrower product range in general. For details, please refer to “Industry Overview — Competitive analysis of the biometrics identification device distribution industry in Hong Kong and Macau — Top five Hong Kong biometrics identification device distributors with main business in Hong Kong and Macau in 2016” in this prospectus. The Group has no manufacturing activity and all biometrics identification devices sold are sourced from various suppliers. These biometrics identification devices are designed to grant users access to a venue by identifying the users. The Group also sells other devices and accessories such as security gate systems, smart card products, RFID devices, hand-held devices or PDA and surveillance systems.

For provision of auxiliary and other services, the Group mainly derives revenue from software licensing income and service income which comprises the provision of (i) installation services; (ii) solutions services; and (iii) maintenance services. Although the Group provides in general up to one year free warranty and standard maintenance services after delivery^(Note) for products sold in Hong Kong and Macau, the Group generates service income from the provision of maintenance services on the biometrics identification solutions/devices for certain period which usually last up to one year under the relevant maintenance contracts with the customers. In Hong Kong, the installation and maintenance services are carried out by the Group’s own technicians. In Macau, the installation and maintenance services are outsourced to Subcontractor A. In the PRC, the Group generally provides free warranty after-sales services for up to one year to customers. System integrators and resellers accounted for over 90% of sales to the Group’s PRC customers. The Directors consider that the demand for installation and maintenance services from system integrators and resellers is minimal. Hence, the Group did not provide

BUSINESS

installation and maintenance services in the PRC during the Track Record Period. “Time Expert”, the software developed by the Group, is provided to customers at a licensing fee. Upon request, the Group generates solution services income from providing (i) tailor-made modification solutions on “Time Expert”; or (ii) other tailor-made solutions based on customer’s particular operational requirements such as a limousine tracking system provided by the Group during the Track Record Period.

Note: Warranty does not include any abnormal use or operation, consumable parts and equipment not provided by the Group.

The following table sets forth the Group’s revenue by nature during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Sales of products				
Biometrics identification devices	25,877	24,324	8,691	9,346
Other devices and accessories	<u>14,352</u>	<u>16,501</u>	<u>5,208</u>	<u>6,758</u>
	40,229	40,825	13,899	16,104
Provision of auxiliary and other services				
Service income	15,459	19,009	5,228	6,919
Software licensing income	2,499	3,234	745	1,316
Others	<u>878</u>	<u>454</u>	<u>230</u>	<u>59</u>
	<u>18,836</u>	<u>22,697</u>	<u>6,203</u>	<u>8,294</u>
Total	<u><u>59,065</u></u>	<u><u>63,522</u></u>	<u><u>20,102</u></u>	<u><u>24,398</u></u>

The Group generated revenue from sales of products of approximately HK\$40.2 million, HK\$40.8 million and HK\$16.1 million respectively for the two years ended 31 March 2017 and the four months ended 31 July 2017. During the same period, revenue of approximately HK\$0.5 million, HK\$2.0 million and HK\$2.9 million respectively were derived from sales of products involving tailor-made modification solutions and tailor-made solutions, while revenue of approximately HK\$28.3 million, HK\$29.4 million and HK\$9.4 million respectively were derived from sales of products supported by standard solutions of “Time Expert”, together representing approximately 71.6%, 76.9% and 76.4% respectively of the revenue from sales of products. During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group generated revenue of (i) approximately HK\$5.4 million, HK\$6.9 million and HK\$2.5 million respectively from the provision of installation services; (ii) approximately HK\$0.4 million, HK\$1.6 million and HK\$1.0 million respectively from the provision of solution services; and (iii) approximately HK\$9.7 million, HK\$10.5 million and HK\$3.5 million respectively from the provision of maintenance services. Revenues from the provision of (i) installation services; (ii) solution

BUSINESS

services; and (iii) maintenance services were included as service income. For details of the business arrangement regarding the provision of installation and solution services, please refer to “Business — Business Process” in this prospectus.

The Group sources various biometrics identification devices, other devices and accessories from different suppliers which are mostly device manufacturers. No exclusive right is granted to the Group to sell their products, except for an exclusive right granted by Supplier B to distribute its products within the PRC, Hong Kong and Macau since 2016. The Group’s products are mainly manufactured in the USA, the Republic of Korea, France and the PRC.

The following table sets forth the breakdown of the Group’s revenue by type of customers during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(unaudited)	
End-users	43,187	44,649	12,187	17,389
System integrators	12,127	15,202	6,289	5,743
Resellers	<u>3,751</u>	<u>3,671</u>	<u>1,626</u>	<u>1,266</u>
Total	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

The Group’s customers are classified as (i) end-users; (ii) system integrators; and (iii) resellers. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$43.2 million, HK\$44.6 million and HK\$17.4 million revenue was derived from end-user customers, representing approximately 73.1%, 70.3% and 71.3% of the Group’s revenue respectively. Many of the Group’s end-user customers are construction companies in Hong Kong and Macau. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group derived revenue of approximately HK\$38.2 million, HK\$38.7 million and HK\$15.6 million from construction companies in Hong Kong and Macau respectively, representing approximately 64.6%, 60.9% and 63.8% of the Group’s total revenue respectively. These construction companies purchase biometrics identification solutions/devices from the Group mainly for use in their construction sites. The Group also sells biometrics identification solutions/devices to system integrators which integrate the Group’s products into their own security products/solutions and/or equip the Group’s products with their own software solution for onward sale to their own customers. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$12.1 million, HK\$15.2 million and HK\$5.7 million revenue was derived from system integrators customers, representing approximately 20.5%, 23.9% and 23.5% of the Group’s revenue respectively. The Group also sells biometrics identification solutions/devices to resellers which include trading companies, software houses and other security product companies which have their own sales/customer networks to resell the Group’s products to their customers. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$3.8 million, HK\$3.7 million and HK\$1.3 million revenue was derived from resellers’ customers, representing approximately 6.4%, 5.8% and 5.2% of the Group’s revenue respectively.

COMPETITIVE ADVANTAGES

The Directors consider that the Group operates in markets which have potential and steady growth and believe the Group will benefit from the growing demand for relevant services from its potential customers. The Directors believe that the following competitive advantages are the key factors to the Group's success and will enable the Group to further develop its business in the future.

Experienced management and professional team

The Group's management and professional team members are its most valuable assets. The team comprises staff with extensive experience and knowledge in software development and product knowledge. Mr. Tony Yuen, the chairman of the Group and an executive Director, has over 20 years of experience in software programming and product development. Ms. Jazzy Wong and Mr. Chan Gar Chun, Andrea, being two members of the Group's senior management, have over 15 years of experience in sales and marketing of biometrics identification devices and software programming respectively. As at 31 July 2017, the Group's software development department of the Group had 9 members, among them, more than half possess graduation certificate in science disciplines. The duty of the software development department is to provide solutions to customers, such as tailor-made software programming, technical assistance and software system integration with the customer's existing system.

Various functions of biometrics identification devices to meet the needs of different customers

The Group's biometrics identification devices possess different functions, such as face identification, fingerprint identification, finger vein identification, hand geometry identification and iris identification. These functions could meet the needs of the Group's customers from different industries. The Directors believe that the various functions of biometrics identification devices have enabled the Group to successfully capture customers from different industries. Customers from the construction industry generally purchase the Group's biometrics identification devices with hand geometry identification function as the fingerprints and/or finger veins of the users may not always be available for scanning due to their work nature. Customers from the catering industry generally purchase the Group's biometrics identification devices with face identification function as its touchless feature is more suitable for the working environment of the catering industry which requires optimal hygiene standard in its daily operation.

Extensive customer base with a variety of industries

The Group has an extensive customer base of around 780 customers during the Track Record Period from a variety of industries such as casino, construction, hotel and catering, financial service, manufacturing, property management and office leasing. Such a variety of customers gives the Group an exposure of its products to customers in different industries. It also demonstrates that the Group's products meet the needs of customers in different industries. The Directors believe that the diversified applicability of its products will enable the Group to capture more customers from different industries after Listing.

Established long business relationship with major customers

The Directors believe that the Group's comprehensive solutions, dedication to understanding the needs of its customers and ability to respond to their requests have fostered the customers' ongoing trust and confidence in the Group's products and services. Moreover, as the Group is able to offer biometrics identification devices with a wide range of functions, customers can source suitable biometrics identification devices that suit their different needs for different projects or sites. The Directors believe that the customers' confidence in the Group's services and products are demonstrated by the Group's continuous ability to secure business from a number of repeated customers over the years. Including the top 10 customers, there were over 210 repeated customers who contributed around 90% revenue in the two years ended 31 March 2017 and the four months ended 31 July 2017. Also, over 60% of the Group's customers in Hong Kong and Macau have entered into maintenance agreements with the Group in the Track Record Period.

The Group has established longstanding business relationship with its major customers. The top five customers for the Track Record Period have been in business relationship with the Group for more than 5 years as at the Latest Practicable Date. The Group's senior management members and operation managers meet with key customers from time to time, so that the Group can fully appreciate, and cater for, each customer's individual service expectation and requirements. The Directors believe that the Group's focus on the specific needs of customers, and the customers' familiarity with the Group's products and confidence in the service quality provided by the Group have allowed the Group to maintain a stable customer base and to generate recurring business.

Leading position in Hong Kong and Macau market particularly in the construction industry segment

The Group generated revenue from Hong Kong and Macau market in 2016 amounted to approximately HK\$52.2 million. According to the Ipsos Report, the Group's revenue from Hong Kong and Macau market accounted for approximately 11.0% of the biometrics identification device distribution industry in Hong Kong and Macau. The estimated total revenue of the biometrics identification device distribution industry contributed by the construction industry in Hong Kong and Macau was approximately HK\$61.3 million in 2016 while the Group derived revenue of approximately HK\$38.2 million, HK\$38.7 million and HK\$15.6 million from them for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively, representing over 60% of the total estimated revenue from construction companies in Hong Kong and Macau. The Directors believe that the Group's leading position in Hong Kong and Macau market and in the construction industry segment has enabled the Group to capture more sizable customers who require high quality and tailor-made functions. Given its leading position in the market, the Group considers that it has established a reputation in the market. The Directors consider that such reputation has helped the Group to expand its business with existing customers and to market its products to potential customers. The Directors are also of the view that the Group can leverage its established relationship with the customers in the construction industry to increase its chance of receiving tender invitations from them for future projects.

In addition to the above competitive advantages, the Directors consider that, with a proven track record in the biometrics identification solutions industry, the Group is well positioned to seek new opportunities in the market and to implement its future plans.

LICENCES AND AWARDS

Licences

Under the Security and Guarding Services Ordinance, a “security device” means a device designed or adapted to be installed in any premises or place, except on or in a vehicle, for the purpose of detecting or recording (a) the occurrence of any offence; or (b) the presence of an intruder or of an object that persons are, for reasons of security, not permitted to bring onto the premises or place or any other premises or place. “Security works” under the Security and Guarding Services Ordinance include installing, maintaining or repairing a security device. As the Group’s biometrics identification solutions/ devices have the function of detecting or recording the presence of an intruder, they are security devices under the Security and Guarding Services Ordinance and the Group is therefore required to obtain relevant licence under section 11 of the Security and Guarding Services Ordinance in carrying out the installation, maintenance and/or repair of such security devices in Hong Kong. In addition, under section 9 of the Telecommunications Ordinance, companies are required to obtain licences for both import and export of certain products that are radiocommunications apparatus. Since SE Technology and SE R&D provide 2D face identification devices (embedded with card readers) and fingerprint identification devices (embedded with card readers) which involve transmission by radio waves, SE Technology and SE R&D are required to obtain relevant licences. Details of the above are set forth under “Regulatory Overview” in this prospectus. The following table sets out the details of the licences held by the Group as at the Latest Practicable Date:

Relevant Hong Kong government departments or public organisation	Description	Qualification	Holder	Period of validity
Security Bureau	Security company licence of Security and Guarding Services Industry Authority	Type III — Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device	SE Engineering	From 29 September 2013 to 28 September 2018
Communications Authority	Radio dealer licence (unrestricted)	n/a	SE Engineering, SE R&D and SE Technology	From 19 October 2015 to 31 October 2018

SE Engineering has obtained the type III security company licence of Security and Guarding Services Industry Authority since 2003. The Group did not obtain the radio dealer licences from the Communications Authority for the import and export of certain radiocommunications transmitting apparatus until 19 October 2015. For further details of this non-compliance, please refer to the sub-section headed “Non-compliance” in this section.

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Save as disclosed above, the Directors confirm that the Group has obtained all the necessary permits, approvals and licences to operate its existing business from relevant governmental bodies in the relevant jurisdiction since its establishment.

Awards and recognition

The following table sets out the Group's recent major awards and recognition obtained:

Year(s) of award	Recipient	Award	Awarding organisation or authority
2010	SE Technology	PCM Biz. IT Excellence 2010 In IT Solution Excellence (Construction Sites Industry)	Sing Tao Magazine Group
2014	SE Technology	Hong Kong Star Brand Award (Small and Medium Enterprise)	Hong Kong Small and Medium Enterprises Association
2015	SE Technology	Hong Kong Star Brand Award (Small and Medium Enterprise)	Hong Kong Small and Medium Enterprises Association
2016	SE Technology	Hong Kong Star Brand Awards (Enterprise)	Hong Kong Small and Medium Enterprises Association
2016	SE Technology	Hong Kong Star Brand Awards (Innovation and Technology)	Hong Kong Small and Medium Enterprises Association
2016	SE Technology	Most Reliable Security Solution Provider	Mediazone Limited
2017	SE Technology	Hong Kong Star Brand Awards (Enterprise)	Hong Kong Small and Medium Enterprises Association
2017	SE Technology	Hong Kong Star Brand Awards (Innovation and Technology)	Hong Kong Small and Medium Enterprises Association

For the licences and qualifications of the Group's employees, please refer to the sub-section headed "Employees" in this section.

BUSINESS PROCESS

The product sales process is initiated when a potential customer asks for a quotation for certain biometrics identification solutions/devices. After discussion with the customers on their specifications, the projects and sales department will consult the operations and services department and software development department on the level of technical requirement or feasibility to meet the specifications. If the projects and sales department considers that the potential project is feasible to the Group, after taking into account the technical feasibility and potential sales volume, it will proceed with further discussion with the potential customer. Once the price, volume and relevant terms are confirmed with the customer, the projects and sales department will issue a quotation to the customer for execution or the customer will issue a purchase order to confirm order.

After obtaining the confirmation of orders from customers, the software development department will work on the software if tailor-made modification is needed. The operations and services department will perform testing before delivery and the logistics and warehouse department will then pack the finished products. The products together with the necessary software will then be delivered to the customer's designated sites. If installation is required, either the Group's staff or its subcontractor will perform on-site installation for the customer.

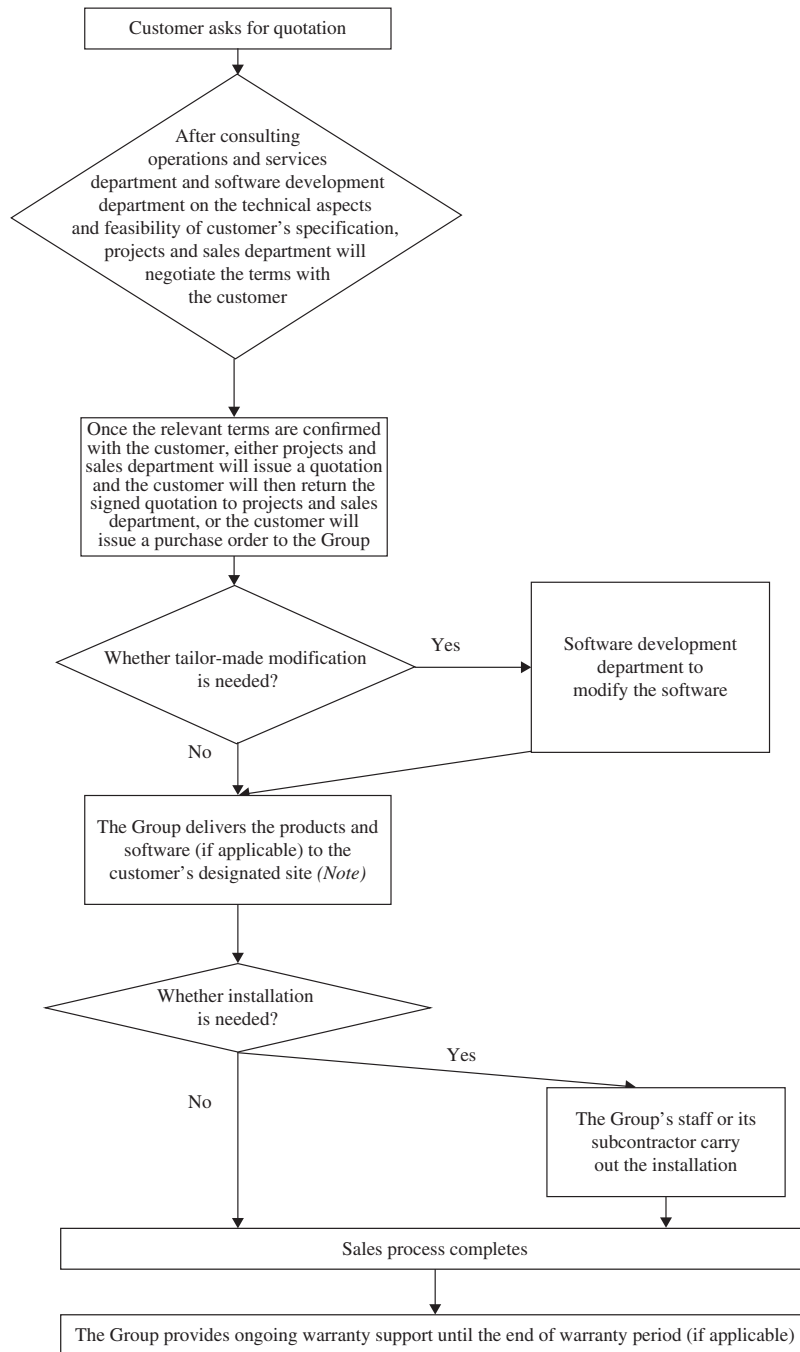
Products sold by the Group generally come with up to one year free warranty for equipment provided by the Group and standard maintenance service after delivery^(Note). After the end of the warranty period, customers in Hong Kong and Macau may, at their discretion, enter into maintenance contracts with the Group for maintenance of the biometrics identification solutions/devices for certain period which usually last up to one year. The warranty or maintenance service is provided either through remote diagnostic service by telephone support or on-site service by the Group's staff or its subcontractors. System integrators and resellers accounted for over 90% of the Group's sales to PRC customers during the Track Record Period. The Directors consider that the demand for maintenance services from system integrators and resellers is minimal. Hence, the Group did not provide maintenance services in the PRC during the Track Record Period.

Note: Warranty does not include any abnormal use or operation, consumable parts and equipment not provided by the Group.

The Group generally does not enter into any long-term or master sales agreement with customers. Sales are generally initiated by customers by placing purchase orders to the Group.

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The following flow chart sets forth the principal product sales process of the Group:



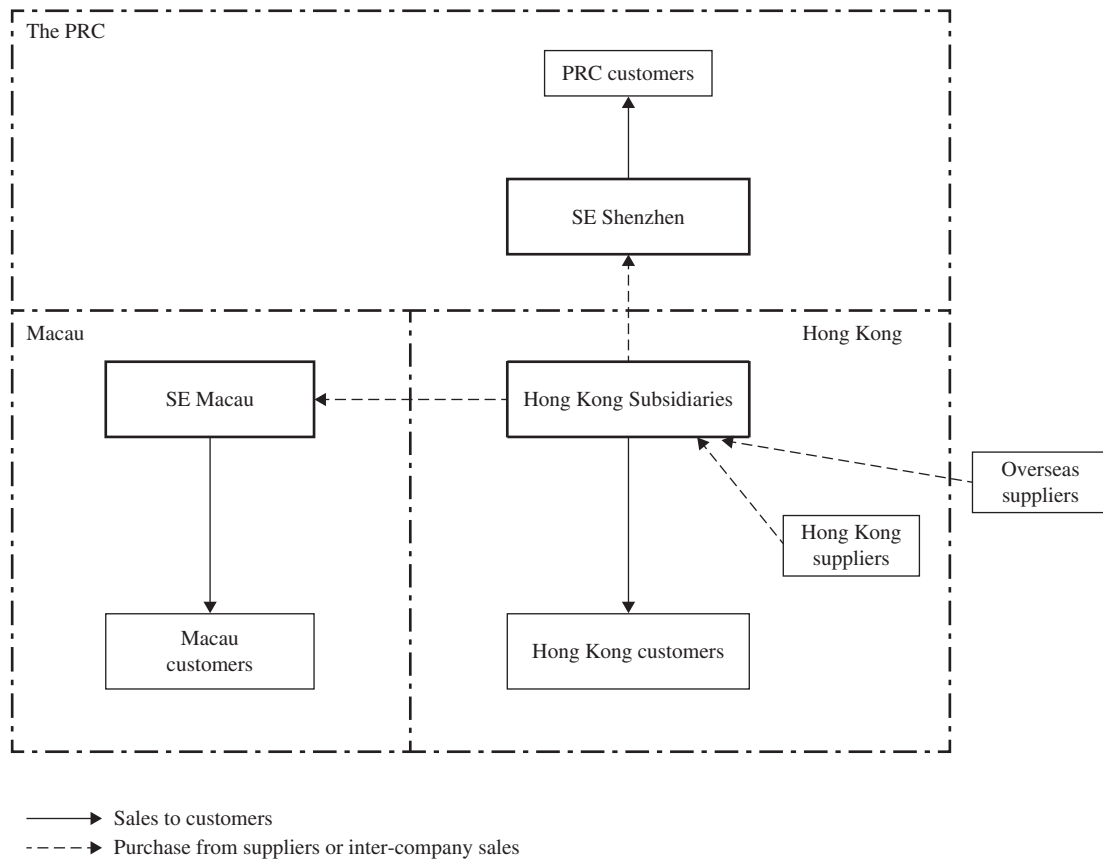
Notes:

- (1) For transactions which involve modification, the Group generally takes no more than six months to deliver the products and software depending on (i) the capacity of the software development department; (ii) the complexity of the modification; and (iii) the software development services required by the customers. The Group generally takes around one month to deliver products and software which do not involve modification.
- (2) The Group does not collect or store any personal information of the users in the Group's systems or for the Group's own use.

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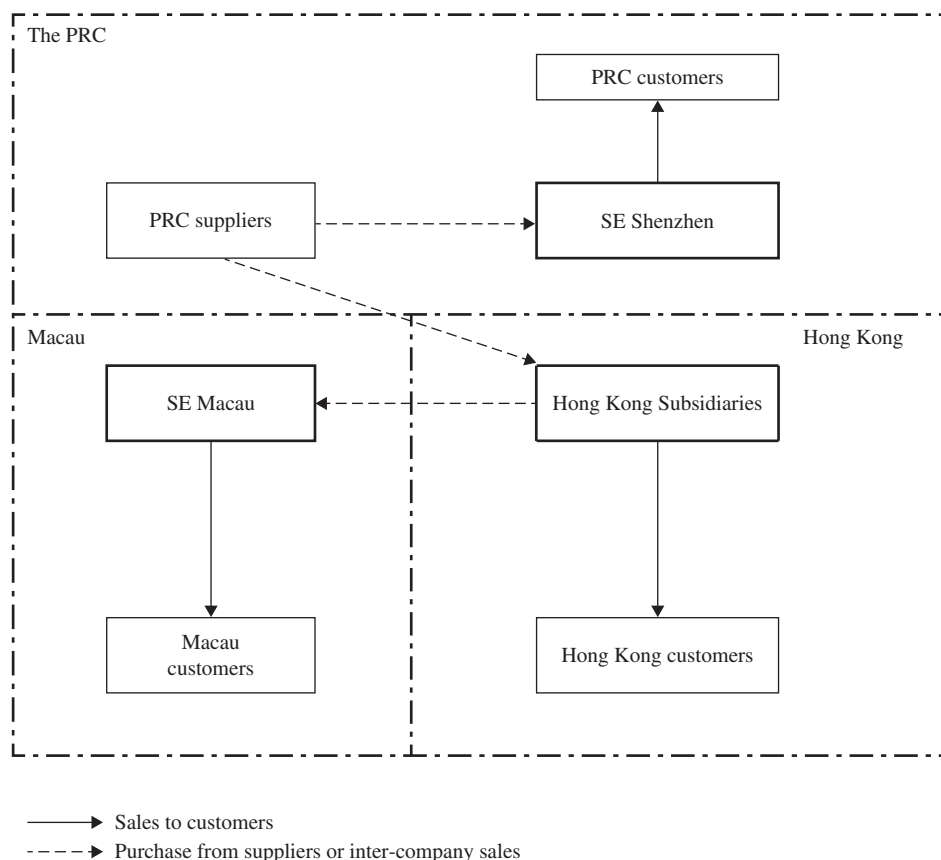
Among the three Hong Kong Subsidiaries, SE Engineering is mainly responsible for the sales of goods and provision of service to end-user customers; SE Technology is mainly responsible for the sales of goods to system integrators; and SE R&D is mainly responsible for the inter-company sales to SE Shenzhen, SE Engineering and SE Technology. SE Macau is mainly responsible for the sales of goods and provision of service to customers in Macau.

As for the transaction flows of goods within the Group, the arrangement for purchases from PRC suppliers is different from the arrangement for purchases from Hong Kong/overseas suppliers. For all products sourced from Hong Kong or overseas, they are either sold directly by the Hong Kong Subsidiaries to Hong Kong customers, or sold to SE Shenzhen or SE Macau through inter-company sales. SE Macau and SE Shenzhen then sell these products to Macau or PRC customers. Such transaction flow of goods is illustrated in the following graph:



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For products sourced from the PRC, SE Shenzhen purchases them directly from PRC suppliers and sells these products to customers in the PRC. Hong Kong Subsidiaries also purchase such products directly from PRC suppliers and sell them to Hong Kong customers. SE Macau purchases these products from Hong Kong Subsidiaries through inter-company sales, and then sells to Macau customers. Such transaction flow of goods is illustrated in the following graph:



For the year ended 31 March 2016, the sales amount of each of the intragroup sales and purchase transactions (i) between Hong Kong and the PRC; and (ii) between Hong Kong and Macau represents around 11.7% and 4.1% respectively in terms of the Group's revenue. The pricing basis is cost plus and the overall gross profit margin of these transactions is approximately 24.5%.

For the year ended 31 March 2017, the sales amount of each of the intragroup sales and purchase transactions (i) between Hong Kong and the PRC; and (ii) between Hong Kong and Macau represents around 7.3% and 4.8% respectively in terms of the Group's revenue. The pricing basis is cost plus and the overall gross profit margin of these transactions is approximately 32.7%.

For the four months ended 31 July 2017, the sales amount of each of the intragroup sales and purchase transactions (i) between Hong Kong and the PRC; and (ii) between Hong Kong and Macau represents around 2.9% and 3.3% respectively in terms of the Group's revenue. The pricing basis is cost plus and the overall gross profit margin of these transactions is approximately 33.4%.

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The tax adviser of the Company, ECOVIS David Yeung Hong Kong (“**ECOVIS**”), performed assessment on the Group’s transfer pricing practice using the transaction net margin method (“**TNMM**”) to test the reasonableness of the profit generated from the Group’s intragroup transactions regarding the sales of biometrics identification devices and security products. TNMM is a profit-based transfer pricing method which involves benchmarking analysis to compare the profitability based on profit level indicator (“**PLI**”) of the Group’s companies involved in transfer pricing practice during the Track Record Period with comparable companies engaging in similar industries with similar functions and risk. The PLI adopted for the transfer pricing review was the net operating profit margin (“**NOPM**”). Since TNMM takes into account of the selling and general administration expenses when comparing with the operating profit levels between the Group’s companies involved in transfer pricing practice and comparable companies, such method is not easily affected by differences in functions performed and risks taken by the entities. The details of ECOVIS’ assessment on the intragroup transactions between the Group’s companies regarding the sales of biometrics identification devices and security products are as follows:

Functions of the Group’s companies involved in the intragroup transactions regarding the sales of biometrics identification devices and security products

- SE R&D is engaged in investment holding, sales of biometrics identification devices and security products, and provision of application software in Hong Kong;
- SE Technology is engaged in the sales of biometrics identification devices and security products, and provision of application software in Hong Kong;
- SE Engineering is engaged in sales of biometrics identification devices and security products; and provision of system installation, application software and repair and maintenance services in Hong Kong;
- SE Shenzhen is engaged in sales of biometrics identification devices, and provision of application software and related after-sale services in the PRC; and
- SE Macau is engaged in sales and provision of installation and maintenance of security and information technology system in Macau.

Risks assessed on the Group’s companies involved in intragroup transactions regarding the sales of biometrics identification devices and security products

- Market risks
- Sales and distribution risks
- Administrative and other services risks

Benchmarking analysis

The benchmarking analysis is prepared using the OSIRIS TP Catalyst database (“**Osiris**”) version 191 (updated as of 20 August 2017) provided by the Bureau van Dijk Electronic Publishing (“**BVD**”), one of the leading electronic publishers of business and company information in the world. Osiris is a comprehensive database with coverage of more than 125 countries and containing information of over 57,000 listed and unlisted companies around the world.

Sales of biometrics identification devices and security products from SE R&D to SE Shenzhen

Based on the functions and risk analysis regarding the intragroup transaction of sales of biometrics identification devices and security products between SE R&D and SE Shenzhen, SE R&D had provided certain after-sales service function and marketing expenses in supporting the Group’s products to be sold by SE Shenzhen. On the contrary, SE Shenzhen, being the seller of the Group’s products in the PRC, bore the pricing, marketing, inventory management and administrative functions. Therefore, ECOVIS concluded that (i) SE R&D bore only a certain level of marketing risk and sales and distribution risks; and (ii) SE Shenzhen bore risks including marketing risk, sales and distribution risk, credit risk, inventory risk and risk relating to administrative and other services.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the NOPM of SE Shenzhen and SE R&D were within the inter-quartile range of the weighted average NOPM of the comparable companies. Therefore, ECOVIS concluded that the pricing policy of SE R&D and SE Shenzhen during the Track Record Period were conducted on an arm’s length basis.

Sales of biometric identification devices and security products from SE Technology and SE Engineering to SE Macau

Based on the functions and risk analysis regarding the intragroup transaction of sales of biometrics identification devices and security products between SE Technology, SE Engineering and SE Macau, ECOVIS concluded that (i) SE Macau involved in pricing and after-sales service function and bore the pricing risk, credit risk and sales and distribution risk for the Group’s products sold in Macau; and (ii) SE Technology and SE Engineering were involved in most of the sales and distribution, inventory management and administrative functions in relation to the Group’s products sold in Macau that marketing risk and inventory risk and risks related to administrative and other services were borne by SE Technology and SE Engineering.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the NOPM of SE Technology, SE Engineering and SE Macau were within the inter-quartile range of the weighted average NOPM of the comparable companies. Therefore, ECOVIS concluded that the pricing policy of SE Technology, SE Engineering and SE Macau during the Track Record Period were conducted on an arm’s length basis.

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The Group had not been subject to any disputes, challenges and/or enquiries by the relevant tax authorities in view of the transfer pricing during the Track Record Period. Although there is no assurance that Hong Kong, the PRC, and Macau tax authorities will not make any transfer pricing adjustments according to the relevant laws and regulations, based on the above analysis, ECOVIS is of the view that the intragroup transactions of the Group during the Track Record Period were conducted on an arm's length basis and ECOVIS is not aware of any transaction conducted by the Group which was not compliant with the applicable laws, rules and regulations of the jurisdictions during the Track Record Period and the chance of such intragroup transactions being challenged by the respective tax authorities is remote.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group had unused tax losses of approximately HK\$746,000, HK\$907,000 and HK\$313,000 respectively which are available for offsetting against future taxable profits. The unused tax losses as at 31 March 2016, 31 March 2017 and 31 July 2017 mainly arose from the loss in SE Shenzhen in the year ended 31 March 2015 due to (i) a drop in revenue of SE Shenzhen for that year; and (ii) the operating cost of the Beijing branch of SE Shenzhen. Such tax losses were not related to the Group's intragroup sales arrangements that SE Shenzhen generated gross profit margin of 32.7% for the year ended 31 March 2015. The Beijing branch office of SE Shenzhen was deregistered on 17 June 2015. The increase in the unused tax loss from approximately HK\$746,000 as at 31 March 2016 to approximately HK\$907,000 as at 31 March 2017 was mainly due to the tax loss of approximately HK\$195,000 incurred by SE R&D after taken into account depreciation allowance claimed in relation to the purchase of a motor vehicle during the year ended 31 March 2017.

Research and development

The software development department mainly supports the Group's operation. In addition, the software development department performs research and development activities which mainly consist of developing software to catch up with the latest industrial trend and business development of the Group's customers and regulatory development. During the Track Record Period, the Group's research and development activities in developing SE-BioCom included (i) designing, developing and programming SE-BioCom based on the users' requirement; (ii) conducting pilot testing on customers' construction sites and updating SE-BioCom based on the testing result; (iii) presenting successful integration result and being verified by CIC; (iv) developing a data migration tools in order to enable clients' existing systems, including different modules of "Time Expert" to migrate from CRMS to CWRS system.

PRODUCTS AND SERVICES

Products

The Group is a solution provider of biometrics identification solutions/devices. Depending on the requirements of the Group's customers, a biometrics identification solution/device generally comprises one or one group of biometrics identification devices with certain other devices and accessories supported by certain software provided by the Group. The standalone biometrics identification devices, other devices and accessories are also sold separately to system integrators, resellers and customers mainly for device replacement or modification of the solutions/devices.

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Biometrics identification devices

The biometrics identification devices sold by the Group have one or more of the functions of (i) face identification; (ii) fingerprint identification; (iii) finger vein identification; (iv) hand geometry identification; and (v) iris identification. The biometrics identification devices are designed to grant users access to a venue by identifying the users. In order to fulfill different usage requirements and preference of the customers, the appearance and functions of the biometrics identification device models are different. Some of the biometrics identification devices can be used with a card reader in order to provide faster access or additional security level to the users. The Directors consider these biometrics identification devices are suitable for different needs of customers from different industries. For example, biometrics identification devices with hand geometry identification function are considered to be suitable for customers from the construction industry as fingerprints and/or finger veins of the users may not always be easily available for scanning due to their work nature. Biometrics identification devices with face identification function are considered to be suitable for customers in the catering industry as its touchless feature are more suitable to working environment of catering industry which requires optimal hygiene standard in its daily operation.

Details of the technology, price range per device, level of anti-spoofing and user capacity of the biometrics identification devices sold by the Group as purchased from various suppliers are set out below:

	Face identification	Fingerprint identification	Finger vein identification	Hand geometry identification	Iris identification
(i) Technology	Provide easy-to-use and touchless identification method by active IR illumination and projection-based face identification techniques. Either 2D or 3D face modelling method used to ensure accuracy of identity.	Provide user identification by well-matured fingerprint algorithm on fingerprint minutiae features.	Provide identification of human finger vein patterns beneath the skin's surface. Forging vein is complicated which prevents counterfeit by fake finger.	Provide verification of users by the shape of their hands. Hand geometry readers measure a user's hand along many dimensions, including XYZ axes.	Provide contactless capturing and matching of one or both of the irises of an individual's eyes, whose complex patterns are unique and stable.
(ii) Price range per device (Note 1 & 2)	2D face: From approximately HK\$4,000 to HK\$13,000 3D face: From approximately HK\$26,000 to HK\$48,000	With touchscreen function: From approximately HK\$8,000 to HK\$16,000 Without touchscreen function: From approximately HK\$3,000 to HK\$10,000	From approximately HK\$10,000 to HK\$22,000	From approximately HK\$10,000 to HK\$23,000	From approximately HK\$10,000 to HK\$31,000

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	Face identification	Fingerprint identification	Finger vein identification	Hand geometry identification	Iris identification
(iii) Level of anti-spoofing/Level of security (Note 3)	2D face: Low to Medium 3D face: Medium	Medium to high	High	Medium	High
(iv) User capacity	2D face: Up to 30,000 users 3D face: Up to 3,000 users	5,000 to 500,000 users	Up to 10,000 users	Up to 259,000 users	Up to 100,000 users

Notes:

- (1) A higher price will be charged if customers need a combination of more than one function of biometrics identification devices.
- (2) Price variance due to different brands and models.
- (3) Level of anti-spoofing is determined by how easy the biometrics characteristics can be counterfeited. 2D face is considered to be easier to counterfeit than 3D face, hand geometry and fingerprint. Finger vein and iris are considered more difficult to counterfeit.

The Directors are of the view that, among the five function types of biometrics identification device:

- Face identification offers hand-free access and is suitable for customers in industries such as catering, laboratory and hospital, which require optimal hygiene standard in their daily operation;
- Fingerprint identification is relatively inexpensive and is suitable for customers that require a fair level of security for use in places such as offices and property management premises;
- Finger vein identification and iris identification have higher anti-spoofing level as finger vein and iris are hard to be counterfeited and are more suitable for customers who require a high level of security standard such as banks and prisons; and
- Hand geometry identification is suitable for places where fingerprints may not be easily scanned due to daily work operation, and is suitable for customers in the construction industry.

Other devices and accessories

Apart from the above-mentioned biometrics identification devices, the Group also sells other devices and accessories as part of the overall biometrics identification solutions, such as surveillance system, security gate system, smart card products, RFID devices, hand-held devices or PDA and various accessories/components for the provision of installation services and maintenance services.

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The following table sets forth the functions and price ranges of the major other devices and accessories:

	Functions	Price ranges (Approx.)
Turnstile	to connect with the Group's biometrics identification devices and "Time Expert" and allow only authorised person to have physical access to designated area	HK\$9,000 to HK\$80,000 (<i>Note 1</i>)
Handheld device	(i) to allow connection of "Time Expert" to users who require to visit different locations of workplaces for time attendance and spot check; and (ii) to use in data collection under the launch of CWRS.	HK\$4,000 to HK\$14,000
Smart card reader	to provide faster access or additional security level to the users	HK\$1,000 to HK\$13,000
Smart card	to provide faster access or additional security level to the users	HK\$5 to HK\$121
Charger	to generate electricity and to connect with the Group's biometrics identification devices	HK\$1,000 to HK\$3,000
Gate of vehicle barrier	to connect with the Group's biometrics identification devices and allow access of authorised vehicles to the designated area	HK\$8,000 to HK\$14,000
Cable	to transmit electricity and data among different components of biometrics identification solution, such as turnstile, biometrics identification devices and chargers	HK\$300 to HK\$25,000 (<i>Note 2</i>)
Computer equipment	to store data and install "Time Expert" or other tailor-made software and to link with the biometrics identification devices	HK\$1,200 to HK\$94,000 (<i>Note 3</i>)
CCTV	to monitor activities of the designated area	HK\$900 to HK\$39,000 (<i>Note 4</i>)
Handheld device accessories	to provide physical protection of handheld devices and to convert data from handheld devices to biometrics identification devices	HK\$1,500 to HK\$3,700

Note 1: For the year ended 31 March 2017, only approximately 4% of revenue from the sales of turnstile was generated from turnstile of more than HK\$65,000 each while all revenue from sales of turnstile for the year ended 31 March 2016 and the four months ended 31 July 2017 was generated from turnstile of less than HK\$65,000 each.

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Note 2: For the four months ended 31 July 2017, only approximately 16.8% of revenue from the sales of cable was generated from cable of more than HK\$10,000 per set while all revenue from sales of cable for the year ended 31 March 2016 and the year ended 31 March 2017 was generated from cable of less than HK\$10,000 per set.

Note 3: For the year ended 31 March 2017, only approximately 14.1% of revenue from the sales of computer equipment was generated from computer equipment of more than HK\$50,000 each while all revenue from sales of computer equipment for the year ended 31 March 2016 and the four months ended 31 July 2017 was generated from computer equipment of less than HK\$50,000 each.

Note 4: For the year ended 31 March 2016, only approximately 5.3% of revenue from the sales of CCTV was generated from CCTV of more than HK\$35,000 each while all revenue from sales of CCTV for the year ended 31 March 2017 and the four months ended 31 July 2017 was generated from CCTV of less than HK\$35,000 each.

Services

As a provider of biometrics identification solutions in Hong Kong, Macau and the PRC, the Group mainly provided software licensing, maintenance services, installation services and solution services to its customers during the Track Record Period.

Software licensing

As part of the biometrics identification solutions, the software “Time Expert” was developed by the Group. It is typically applied in access control and attendance management by using the Group’s biometrics identification devices or other card system devices. The main features of “Time Expert” include employee management, access control, time attendance, reporting and facilitating regulatory compliance. The Group is able to customise the software system to suit customers’ different operation needs. “Time Expert” is also used to browse or input information of the employees, contractors and to generate reports. “Time Expert” has the following value-added functions: (i) maintain human resources information of the employees and the employees of the subcontractor, such as salaries and age, enabling different level of access rights of the system; (ii) generate system records, such as location, department and job title of the staff for the ease of management analysis and further actions such as payroll calculation, payroll analysis and facilitating regulatory compliance; (iii) manage employees’/workers’ work schedule, such as working time, date of leave and work location; (iv) place restrictions on physical access to certain areas based on the predetermined criteria requested by customers, such as job titles of workers/employees, type of licenses obtained by them and entry time; (v) set automated notification based on predetermined requirements, such as worker’s license expiry date, other requirements upon customers’ requests; and (vi) interface with customer’s prevailing human resources/ERP system with the functions mentioned in (i) to (v) above upon customers’ request.

During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group generated software licensing income of approximately HK\$2.5 million, HK\$3.2 million and HK\$1.3 million respectively. Except for the license fee of approximately HK\$0.3 million charged by the Group after arms’ length negotiation with the relevant customer in relation to the Shatin-Central Link Project for a tailor-made software other than “Time Expert”, the software licensing fee was charged on standard prices ranging from approximately HK\$1,000 to HK\$36,000 depending on (i) the versions or modules of “Time Expert”; or (ii) the other tailor-made software the customers required. The Group considers and

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offers the licence to allow the licensee to install and use the software concerned on a specific device at a designated location for an unlimited period but not on an annual basis. The salient terms of the license agreement are disclosed as follows:

License	The Group owns the copyright of the software stated in the purchase order (the “Software”). The licence is personal to the purchaser of the Software and the licence granted therein is for the benefit of the purchaser only.
Permitted use	As purchaser of the authorised copy of the Software, the customer may, subject to the conditions, load the Software into and use it on an electronic device which is under the control of the purchaser.
Restrictions on use	The customer may not (i) sub-license, assign, rent, lease or transfer the licence of the Software or make or distribute copies of the Software; (ii) translate, reverse engineer, decompile, disassemble, modify or create derivative works based on the Software except as permitted by law; (iii) make copies of the Software; (iv) use any backup copy of the Software (or allow anyone else to use such copies); or (v) copy the written materials accompanying the Software.
Title	The Group shall at all times retain ownership of the Software.
Undertaking	The customer undertakes that he/she will use the Software and any hardware supplied by the Group in compliance with the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong and any other similar laws and regulations.
Liability	(i) The Group’s liability to the customer for any losses shall not exceed the amount the customer originally paid for the Software. (ii) In no event will the Group be liable to the customer for any indirect or consequential damages even if the Group has been advised of the possibility of such damages. In particular, the Group accepts no liability for any programs or data made with or stored within the Software nor for the costs of recovering or replacing such programs or data.
Termination	(i) The agreement and the licence granted to use the Software automatically terminates if the customer (i) fails to comply with any provision of the agreement; (ii) destroys the copies of the Software in the customer’s possession; or (iii) voluntarily returns the Software to the Group. (ii) In the event of termination in accordance with the agreement, the customer must destroy or delete all copies of the Software from all storage media in the Group’s presence.
Severability	In the event that any provision of the agreement is declared by any judicial or other competent authority to be void, voidable, illegal or otherwise unenforceable or indications of the same are received by either the purchaser or the Group from any relevant competent authority, the Group shall amend that provision in such reasonable manner as achieves the intention of the parties without illegality, or at the Group’s discretion such provision may be severed from the agreement and the remaining provisions of the agreement shall remain in full force and effect.

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More than half of the staff of the Group's software development department possess graduation certificates in science disciplines. In addition, staff of the software development department have extensive experience and knowledge in different biometrics identification technologies as well as industry regulatory and business environment of the Group's major customers, such as construction and casino industries.

A module of "Time Expert" was specifically developed to facilitate the compliance with the Construction Workers Registration Ordinance, which was enacted on 2 July 2004, by construction companies. According to the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to furnish the registrar of construction workers with a copy of the site daily attendance report for the period of 7 days after any construction work begins on the site and for each successive period of 7 days, within 2 business days following the last day of the period concerned.

CRMS was commissioned by the Construction Workers Registration Authority for the implementation of a registration system for construction workers. The Group's biometrics identification devices when used in conjunction with "Time Expert" could facilitate the submission of site daily attendance report under CRMS.

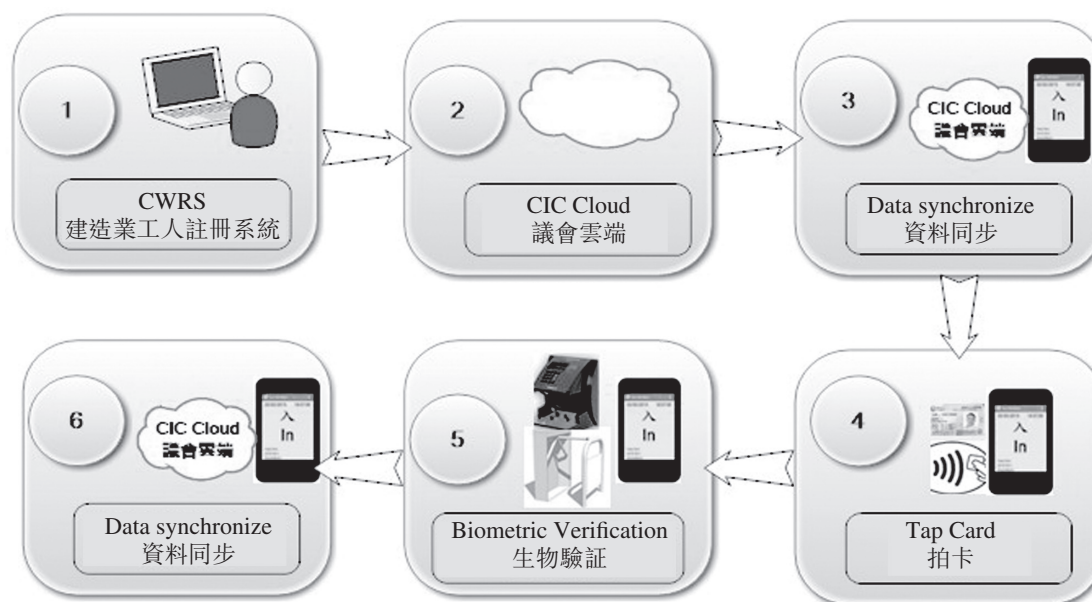
Under CRMS, construction workers were required to carry an electronic registration card for recording their attendance records. The biometrics identification devices equipped with card readers could be used to record the entry of electronic registration card holder, and together with the Group's "Time Expert", the daily attendance reports could be generated to meet the relevant requirement for submission to CRMS.

According to the Ipsos Report, for the year ended 31 March 2017, approximately 69.8% of the Hong Kong construction industry in 2016 adopted the Group's biometrics identification solution in order to cope with their different operational needs during the time under CRMS. Please refer to the paragraph headed "Business — products and services — services — software licensing" in this prospectus for the details of the value-added functions of the Group's biometrics identification solution apart from filing daily attendance record to CRMS.

In 2013, CIC started to develop CWRS. As explained in "Regulatory Overview" in this prospectus, CWRS and its associated CIC DAR Application have replaced CRMS and its associated Site Attendance Module Programme ("SATM") since 30 September 2017. Even though the Group's biometrics identification solution is not an essential feature of CWRS, in response to this change, the Group as a solution provider developed an android software application, namely SE-BioCom, to be applied in the devices compatible with CWRS whilst continuing to provide those value-added supporting services to the construction customers. The Group has been verified as one of the system integrators who has presented successful integration results to CIC. In relation to the implementation of CWRS, the Group generated revenue of approximately HK\$6.4 million and HK\$8.8 million during the four months ended 31 July 2017 and from 1 August to 31 December 2017 respectively which mainly represented the sales of handheld devices and relevant accessories that are compatible with CWRS.

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The main features and workflow of CWRs are as follows:



- Step 1: Each contractor shall register construction workers on or before their first entry to the specific construction site.
- Step 2: The contractor shall upload and store the information of the registered construction workers to CIC cloud accordingly.
- Step 3: Each contractor is required by CIC to (i) use a compatible card-reading device (“**Android Mobile Device**”); and (ii) install CIC DAR Application. The Android Mobile Device would synchronise with CIC cloud and the information of the registered construction workers will be downloaded accordingly.
- Step 4 & 5: In the case that the Group’s biometrics identification solution is adopted, the registered construction workers are required to (i) place their construction workers registration cards on the android NFC sensor of the Android Mobile Device to record attendance via CIC DAR Application; and (ii) identify themselves via the biometrics identification device for entering the specific construction site.
- Step 6: CIC DAR Application would synchronise with CIC cloud and store the daily attendance records of the registered construction workers in CIC cloud.

The Group’s self-developed android software application, SE-BioCom, is integrated with CIC DAR Application given that the Group is one of the system integrators verified by CIC. Relevant reports and information will be generated through the mentioned value-added functions of the Group’s biometrics identification solution.

During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group generated revenue of approximately HK\$30.7 million, HK\$33.1 million and HK\$14.1 million respectively from construction customers in Hong Kong who adopted the Group’s biometric identification solution, representing approximately 91.3%, 93.5% and 95.9% of the total revenue from

all construction customers of the Group in Hong Kong respectively. Hence, the termination of CRMS and the implementation of CWRS generated positive impact on the Group's financial performance. In addition, even though contractors are only required to use Android Mobile Devices at the construction site upon implementation of CWRS, according to the Ipsos Report, approximately 69.8% of the Hong Kong construction industry adopted the Group's biometrics identification solution in 2016, in order to cope with their different operational need. As such, the Directors believe that the mentioned value-added functions are considered important to those construction customers hence one of the main reasons for them to adopt the Group's biometrics identification solution instead of only using Android Mobile Devices and/or biometrics identification devices without the Group's biometrics identification solution. The Group's biometrics identification solutions could satisfy the operational need of the construction customers such as (i) maintaining human resource information of the construction workers; (ii) generating system records; (iii) managing work schedule; (iv) restricting control of certain areas; (v) giving automatic notification; and (vi) interfacing with customers' prevailing human resources or ERP system. The Directors therefore believe that the Group's biometrics identification solution is unlikely to be made redundant by mobile devices equipped with biometrics identification capabilities.

During the Track Record Period, the Group's research and development activities in developing SE-BioCom included (i) designing, developing and programming SE-BioCom based on the users' requirement; (ii) conducting pilot testing on customers' construction site and updating SE-BioCom based on the testing result; (iii) presenting successful integration result and being verified by CIC; (iv) developing a data migration tools in order to enable clients' existing systems, including different modules of "Time Expert" to migrate from CRMS to CWRS system.

Maintenance services

In the PRC, the Group generally provides free warranty service for up to one year to customers. The free warranty services are after-sales services which include remote diagnostic service by telephone support and return of damaged hardware to suppliers for repair. No maintenance service is provided by the Group in the PRC due to the fact that system integrators and resellers accounted for over 90% of the Group's sales to PRC customers during the Track Record Period. The Directors consider that the demand for maintenance services from system integrators and resellers is minimal. Hence, the Group did not provide maintenance services in the PRC during the Track Record Period.

In Hong Kong and Macau, products sold by the Group generally come with up to one year free warranty for equipment provided by the Group and standard maintenance service after delivery^(Note). After the end of warranty period, customers may, at their discretion, enter into maintenance contracts with the Group for maintenance of the biometrics identification solutions/devices for certain period which usually lasts up to one year. During the Track Record Period, over 60% of the customers had entered into maintenance contracts with the Group. For Hong Kong customers, SE Engineering will carry out the maintenance services as the Group has its own technicians to provide maintenance services. For Macau customers, SE Macau will outsource the maintenance services to Subcontractor A. An annual fee will be charged for the standard maintenance service^(Note) while additional fee will be charged for specific components required for maintenance. During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group generated revenue of approximately HK\$9.7 million, HK\$10.5

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million and HK\$3.5 million respectively from the provision of maintenance services. The maintenance fee was charged at a fixed rate of the selling price of the biometrics identification devices, with a minimum charge of HK\$2,500. The salient terms of the maintenance agreement are disclosed as follows:

Note: Warranty does not include any abnormal use or operation, consumable parts and equipment not provided by the Group.

Terms (i) The agreement shall be valid for a term of twelve months and thereafter shall be renewed automatically and continuously on a twelve-month per term basis on the same terms and conditions unless and until thirty days, prior written notice shall be served by either party to the other to terminate the agreement during any renewed period.

(ii) For any successive periods, the Group reserves the rights to amend the terms and conditions and the maintenance charge, if any, to the customer by thirty days, advanced written notice and shall be mutually agreed upon by both parties.

Inspection If the equipment proposed has not been under the Group's maintenance services previously, it shall be subject to inspection by the Group to determine if the equipment is in good working condition. If any repair is required to restore it to its good working condition, the cost of repair at current rates shall be borne by the customer. The Group shall warrant and undertake that the equipment is in good working condition after such repair.

Service (i) Remote diagnostic service by telephone support

(ii) On-site diagnostic service if problem cannot be solved by remote diagnosis

(iii) Hardware and software trouble shooting service

(iv) Swapping and reinstallation of hardware portion which cannot be repaired to good condition by the Group (the cost of defective components is not included)

(v) Replacement of minor components only due to normal wear and tear (does not include the cost for replacement of hardware due to the end of rated life or obsolescence)

(vi) Provision of 24-hour "round the clock" emergency service including public holidays

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- Liability*
- (i) The Group shall not be liable for any damage indirectly or consequentially caused by delay in furnishing the service to the customer except for damages caused by the Group's gross negligence or misconduct.
 - (ii) The total liability of the Group shall not exceed the charges paid by the customer under the agreement.
- Termination*
- (i) The Group may terminate the agreement at any time during the term of the agreement by serving thirty days, prior written notice to the customer if the customer defaults in payment.
 - (ii) Either party can terminate the agreement in case of any default of agreement by either party and such default is not remedied within thirty days of written notice from the party requiring such default to be remedied. Provided that if the defaulting party is the Group, the Group will refund the charges paid by the customer for the un-expired portion of any period in relation to which charges had been paid. If the defaulting party is the customer, the Group shall not be liable for any compensation for the charges that has been paid by the customer.
 - (iii) Where the hardware or any part thereof, at the Group's reasonable opinion, is unable to be maintained under normal service condition, the Group can either terminate the relevant agreement, withdraw the service for such part of the hardware from the relevant agreement with appropriate reduction in the charges, or continue the service only after the worn-out hardware has been overhauled.
 - (iv) The agreement can be terminated immediately if the Group is insolvent, bankrupt, or a receiver is appointed for the Group.
- Charge*
- (i) Should there be any unauthorised relocation or repair of the equipment not carried out by the Group, customer shall void the agreement and an inspection fee may be charged for re-joining of the maintenance scheme. If the agreement is void because of such relocation, the Group shall not refund any a maintenance charges to the customer.
 - (ii) Any service requested by the customer beyond the maintenance period, and/or any service not included in the agreement, such as alteration, attachment and change of feature or specifications on the equipment would be subject to mutual agreement on an additional charge quoted by the Group on case-to-case basis.

In determining the warranty provision to be made in the Group's financial statements, management of the Group estimates the related provision for future warranty claims based on historical warranty claim particulars, as well as recent trends that might suggest that past claim particulars may differ from future claims. Direct costs that may be incurred by the Group in providing the warranty service are

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generally (i) material cost for the repair and replacement of hardware; and (ii) staff cost and/or subcontracting fee incurred for carrying out the warranty maintenance. Suppliers of the Group generally provide the Group with free warranty service for one to two years. Considering (i) the Group's less than one year average inventory turnover day during the Track Record Period; and (ii) the fact that free warranty service provided by the Group to its customers generally lasts up to one year, the material cost for the repair and replacement of hardware is mostly covered by the Group's suppliers' free warranty. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the inventory turnover days, which are calculated as the average of beginning and ending inventory balances for the period divided by cost of inventories sold for the period, multiplied by the number of the days in the period, were approximately 171.0 days, 255.6 days and 266.9 days respectively.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group quantified that the estimated hardware costs in relation to the provision of free warranty service were approximately HK\$0.1 million, HK\$0.1 million and HK\$0.1 million respectively while the estimated staff cost and/or subcontracting fee associated were approximately HK\$0.2 million, HK\$0.2 million and HK\$0.2 million respectively. Both estimated hardware costs and estimated staff cost and/or subcontracting fee were projected based on historical sales and record. Since the amount of potential warranty provision is insignificant, no warranty provision was made in the Group's financial statements.

Installation and solution services

In Hong Kong and Macau, the Group charges installation fees for installation of hardware devices. The Group normally provides installation services including (i) advices to the customers in relation to the preparation work on the location for installing the hardware devices; (ii) setup and connection of various biometrics identification devices with other relevant devices, e.g. turnstiles and the customers' own systems in the designated location; and (iii) testing and commissioning of the biometrics system after installation.

In Hong Kong and Macau, the Group charges solution services fee for the provision of tailor-made modification solutions and tailor-made solutions services, while the Group generally provides other supporting services in relation to solution services and training to customers for the software for free. Other supporting services in relation to solution services include (i) on-site visit in order to evaluate the installation method and location for the installation of hardware devices; (ii) advice on the selection of devices and technologies to be used; and (iii) advice on the compliance of rules, regulations and industry requirements such as using specific modules to comply with CWRS issued by CIC.

For the provision of tailor-made modification solutions service, the salient terms of the services agreement are disclosed as follows:

<i>Terms</i>	Period of service to be negotiated between parties.
<i>Service</i>	The services provided by the Group shall include modification of both hardware and software systems, enhancement, setup and implementation of the software. The Group shall not subcontract the service or any part thereof without the customer's prior written consent.

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<i>Payment</i>	Two-stage payment. The first-stage payment for implementation services shall be made after contract execution and the second-stage payment shall be made after completion of services.
<i>Maintenance</i>	Maintenance includes telephone helpdesk and on-site support. The Group shall provide maintenance services until the end of the term of the agreement and without any additional charge other than the maintenance fees.
<i>Termination</i>	Either party shall have the right to terminate the agreement upon the other party's default of the agreement by giving the other party a written notice of termination. The customer shall have the right to terminate the agreement at any time, regardless of a default by the Group of the agreement, by giving the Group a thirty-day prior written notice of termination, and the customer shall have no further obligations towards the Group except for payment of the amounts due for the services provided by the Group up to the termination date specified in the said notice.

For the provision of tailor-made solutions service, the salient terms of the services agreement are disclosed as follows:

<i>Terms</i>	Period of service to be negotiated between parties. Customer may be granted the option to extend the service agreement upon notice to the Group in some cases.
<i>Service</i>	The services provided by the Group shall include system design, software development, implementation and maintenance. The Group shall not subcontract the service or any part thereof without the customer's prior written consent.
<i>Payment</i>	Two-stage payment. The first-stage payment for implementation services shall be made after contract execution and the second-stage payment shall be made after the User Acceptance Testing is signed or completion of services.
<i>Maintenance</i>	Maintenance includes telephone helpdesk and on-site support. The Group shall provide maintenance services until the end of the term of the agreement and without any additional charge other than the maintenance fees.
<i>Termination</i>	Either party shall have the right to terminate the agreement upon the other party's default of the agreement by giving the other party a written notice of termination. The customer shall have the right to terminate the agreement at any time, regardless of a default by the Group of the agreement, by giving the Group a thirty-day prior written notice of termination, and the customer shall have no further obligations towards the Group except for payment of the amounts due for the services provided by the Group up to the termination date specified in the said notice.

For Hong Kong customers, SE Engineering is responsible for carrying out the installation services. The Group has its own technicians to provide installation services in Hong Kong. For Macau customers, SE Macau outsources the installation services to Subcontractor A. During the two years ended 31 March

2017 and the four months ended 31 July 2017, the Group generated revenue of (i) approximately HK\$5.4 million, HK\$6.9 million and HK\$2.5 million respectively from the provision of installation services; and (ii) approximately HK\$0.4 million, HK\$1.6 million and HK\$1.0 million respectively from the provision of solution services. The installation services are charged on a standard pricing basis depending on the types of biometrics identification and other hardware devices. The price of solution services is determined on a case-by-case basis, depending on the manpower involved, customer's requirements and specifications.

In the PRC, no installation service is provided by the Group due to the fact that system integrators and resellers accounted for over 90% of the Group's sales to PRC customers during the Track Record Period. The Directors consider that the demand for installation services from system integrators and resellers is minimal. Hence, the Group did not provide such services in the PRC during the Track Record Period.

Some customers may also request for ad hoc services subsequent to the sales of biometrics identification solutions/devices such as configuration, upgrading and relocation of system. The ad hoc services are charged on a standard pricing basis. There is no contract for the provision of such ad-hoc services and customers are billed separately for provision of each ad hoc service.

PROCUREMENT AND SUPPLIERS

The Group sources various biometrics identification devices, other devices and accessories from different suppliers which are mostly device manufacturers. During the Track Record Period, the Group had more than 100 suppliers. No exclusive right is granted to the Group to sell their products, except for an exclusive right granted by Supplier B since 2016 to distribute its products within the PRC, Hong Kong and Macau. The Group's products are mainly manufactured in the USA, Republic of Korea, France and the PRC. Suppliers of the Group generally provide the Group with free warranty service for one to two years.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group's top five suppliers accounted for approximately 80.4%, 81.5% and 72.3% of its total purchases respectively, whereas the largest supplier accounted for approximately 36.3%, 39.6% and 33.1% of its total purchases respectively. The Directors consider that there are readily available alternative suppliers of biometrics identification devices should there be any disruption to the Group's relationship with its major suppliers given that (i) the Group has more than one supplier for most of its biometrics identification devices during the Track Record Period; and (ii) during the Track Record Period and/or as at the Latest Practicable Date, the Group had either transacted with or obtained quotations from suppliers other than its major suppliers for all the Group's biometrics identification devices. The Directors consider that with the increasing length of business relationship and the potential increase in the size of order with these alternative non-major suppliers, the Group will be able to bargain for similar terms as those of the major suppliers. The Group does not enter into any long-term supply agreement with any of these major suppliers but has entered into master agreements with (i) Supplier B on 1 January 2015, 1 January 2016

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and 1 January 2017; (ii) Supplier A1 on 26 June 2015; and (iii) Supplier E on 24 February 2016, 4 January 2017 and 23 January 2018. The major terms of the current master agreements are disclosed as follows:

Master agreement with Supplier B

<i>Date of agreement</i>	1 January 2017
<i>Parties</i>	Supplier B and SE Technology
<i>Exclusive sales distributor</i>	Supplier B shall supply the products under its brand name to SE Technology as an exclusive sales distributor in the territory of the PRC, Hong Kong and Macau. Supplier B agreed to sell the products to SE Technology at distributor price. In case that the price is deemed to become not competitive in the marketplace or significant changes happen in the cost of raw materials or exchange rate, then price shall be adjusted by mutual consent of both parties.
<i>Sales target</i>	SE Technology agreed to purchase the products from Supplier B amounting to USD1,400,000 during the 12 months from 1 January 2017 and amounting to at least 20% of the yearly amount within two weeks from 1 January 2017.
<i>Termination</i>	In the event that either party fails to perform its obligations or to comply with the agreement or violates the agreement, then the other party may terminate the agreement by giving a written notice to the defaulting or violating party, unless such default or violations are corrected within 4 weeks from the receipt of such notice by the defaulting or violating party.
<i>Payment and delivery</i>	For all orders, SE Technology shall pay 100% of the invoiced price to Supplier B within 60 days from the bill of lading date.
<i>Term</i>	The agreement shall be in effect and have binding effects between the parties upon execution and shall, unless earlier termination occurs, remain in full force for 12 months from 1 January 2017.
<i>Warranty</i>	Supplier B shall provide SE Technology with 24 months of warranty. Supplier B shall provide SE Technology with technical assistance including supplying routinely updated user manuals of the products, for assisting SE Technology to use properly and efficiently the products.
<i>Status of SE Technology</i>	The relationship between Supplier B and SE Technology under the agreement is solely that of buyer and seller. SE Technology is and shall be an independent contractor in the performance of the services.

Note: The master agreement with Supplier B expired on 31 December 2017 and the parties were still finalising the terms of the new master agreement as at the Latest Practicable Date. Supplier B has extended the validity of its authorised dealer certificate granted to SE Technology to 31 December 2018 despite that no master agreement has been officially entered into between the Group and Supplier B.

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SE Technology purchased products of approximately HK\$2.4 million (approximately USD311,000) within 2 weeks from 1 January 2017, and therefore the sales target was met under the said master agreement. During the Track Record Period, the Group did not meet the sales targets under other master agreements. The master agreement does not specify the consequences for failing to meet the sales targets. In fact, the Group did not experience any adverse consequences of the failure to achieve the sales targets and from 2015 to 2017, Supplier B awarded “partner of the year” to the Group for its excellent performance.

The Group is the exclusive sales distributor of Supplier B in the PRC, Hong Kong and Macau, where Supplier B has a proven track record in generating revenue for the Group. The Group’s revenue from the sales of Supplier B’s biometrics identification devices increased from approximately 35.5% of the Group’s total revenue from the sales of biometrics identification devices for the year ended 31 March 2016 to approximately 40.5% for the year ended 31 March 2017. Although the Group had an increase in inventory balance of approximately HK\$5.3 million as at 31 March 2017, approximately HK\$4.7 million of which was contributed by Supplier B. The Group had a decrease in inventory balance of approximately HK\$2.5 million as at 31 July 2017 in which approximately HK\$1.3 million was contributed by Supplier B. The decrease is mainly due to the net effect of revenue from the sales of Supplier B’s products of approximately HK\$2.8 million and purchase of Supplier B’s products of approximately HK\$1.5 million during the four months ended 31 July 2017. The purchase from Supplier B during the four months ended 31 July 2017 was to ensure sufficient inventory level of each product model of Supplier B. In addition, according to the Ipsos Report and public information, Supplier B ranked first in a global fingerprint identification algorithm competition within the fingerprint matching (FMISO) category in 2010 and has received FBI certification in the US. Therefore, in view of (i) the business relationship with Supplier B and awards from Supplier B; (ii) revenue contribution from the sales of Supplier B’s products; (iii) Supplier B’s global market position; and (iv) the Group’s future plan to launch affordable locally-manufactured fingerprint identification devices in the PRC in which fingerprint sensors will be provided by Supplier B (as described in the paragraph headed “Business Objectives and Strategies — Business strategies” in this prospectus), the Directors are of the view that it is advantageous for the Group to maintain a strong and stable relationship with Supplier B through entering into of the exclusive master agreement. For analysis of inventory balance, please refer to “Financial Information — Analysis of Various Items from the Combined Statements of Financial Position — Inventories” in this prospectus.

Master agreement with Supplier E

<i>Term</i>	23 January 2018 to 31 December 2018
<i>Parties</i>	Supplier E and SE Technology, SE R&D and SE Engineering
<i>Authorised distributor</i>	Within the agreement period, SE Technology, SE R&D and SE Engineering are authorised to distribute Supplier E’s products in Hong Kong and Macau. If SE Technology, SE R&D and SE Engineering cannot meet the first sales target during the agreement period, they will become general distributors. (<i>Note</i>)
<i>Payment</i>	SE Technology, SE R&D and SE Engineering shall pay 100% of the invoiced price to Supplier E when products are delivered.

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Rebate scheme Supplier E offers a rebate scheme to SE Technology, SE R&D and SE Engineering. Rebate rates from 1% to 6% would be granted to SE Technology, SE R&D or SE Engineering if a particular (i) purchase amount and/or; (ii) increase of purchase amount is met. Such rebate scheme is only valid if SE Technology, SE R&D or SE Engineering has met 60% of the sales target of RMB3 million during the agreement period only. The mentioned rebate would be given by way of receiving free products.

Termination In the event that either party fails to comply with the agreement or violates the agreement, the other party may terminate the agreement without bearing any responsibility of violation.

Note: Supplier E offered lower selling prices to an authorised distributor than to a general distributor.

The master agreement with Supplier A1 dated 26 June 2015 ended on 31 December 2016 and the Group has not entered into any other master agreement or other supply agreement with Supplier A1 since then. Even though Supplier Group A was the Group's largest supplier in the year ended 31 March 2016 and the Group's second largest supplier in the year ended 31 March 2017, as a commitment on the purchase quantity was built in the master agreement, the Group decides not to enter into another master agreement or other supply agreement with Supplier A1 so as to retain flexibility in sourcing alternate products which are readily available in the market from other suppliers. The Group continued to sell the products procured from Supplier A1 after completion of the master agreement on 31 December 2016. The major terms of the said master agreement with Supplier A1 are as follows:

Master agreement with Supplier A1

<i>Date of agreement</i>	26 June 2015
<i>Term</i>	26 June 2015 to 31 December 2016
<i>Parties</i>	Supplier A1 and SE Shenzhen
<i>Authorised sales distributor</i>	Supplier A1 agrees to sell a specific type of hand geometry devices under its brand name to SE Shenzhen as an authorised sales distributor in Shenzhen, the PRC at the distributor rate.
<i>Sales target</i>	SE Shenzhen agrees to purchase not less than 300 hand geometry devices from Supplier A1 during the term
<i>Payment</i>	For all orders, SE Shenzhen shall pay 30% of the price stated in quotation to Supplier A1 as deposit once the order is confirmed. SE Shenzhen shall settle all payments of the particular purchase order before collecting the products from Supplier A1.
<i>Delivery</i>	SE Shenzhen shall collect the products from the storage of Supplier A1 on a designated date

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Renewal

The agreement can be renewed 1 month before its expiration

Termination

In the event that SE Shenzhen fails to perform its obligation or to comply with the agreement or violates the agreement, Supplier A1 may issue a written warning, cancel certain rights enjoyed by SE Shenzhen as an authorised sales distributor, and cease to supply or terminate the agreement by giving a written notice without bearing any responsibility of violating the agreement.

Supplier A1 may terminate the agreement if SE Shenzhen fails to achieve the sales target in accordance with the agreement.

During the Track Record Period, Supplier A provided bulk purchase discount to the Group and offered a 2.8% discount when the Group purchased 700 items from it per calendar year. The Group purchased 877 items from Supplier A in 2015 and obtained a 2.8% discount. In 2016, the Group purchased less than 700 items from Supplier A and no discount was obtained. In June 2016, Supplier A also offered a one-off promotion such that the Group would be entitled to 30 hand geometry products for free for every 150 hand geometry products purchased.

The table below sets out the business scope and other details of the Group's top five suppliers during the Track Record Period:

Year ended 31 March 2016

Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier Group A which consists of Supplier A and Supplier A1 ^(Note)	A provider of security devices and solutions, headquartered in the Republic of Ireland, with sales offices across the globe. Its ultimate holding company is listed on the New York Stock Exchange.	About 10 years	36.3%	Biometrics identification devices: hand geometry	Payment in advance to 30 days	10.7 days
Supplier B	A manufacturer and seller of biometrics identification and security products, headquartered in the Republic of Korea, with sales network across the world. It is listed on the Korea Exchange.	About 10 years	30.1%	Biometrics identification devices: face and fingerprint	60 days	8.8 days

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Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier C	A manufacturer and seller of advanced identification systems and solutions, headquartered in Stockholm, Sweden, with dedicated agencies in the US and China. Its ultimate holding companies is listed on the Stockholm Stock Exchange.	About 1 year	5.4%	Other devices and accessories	Payment in advance	N/A
Supplier D	A private limited company in Hong Kong engaged in manufacturing and selling of smart card and security solutions and devices.	About 5 years	4.6%	Other devices and accessories	30 days	144.3 days
Supplier E	A private limited company in the PRC engaged in manufacturing and selling of intelligentised access control systems.	About 8 years	4.1%	Other devices and accessories	Cash on delivery	N/A

Note: Individual corporate suppliers which are subsidiaries, joint-ventures or associates are grouped together.

Year ended 31 March 2017

Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier B	A manufacturer and seller of biometrics identification and security products, headquartered in the Republic of Korea, with sales network across the world. It is listed on the Korea Exchange.	About 11 years	39.6%	Biometrics identification devices: face and fingerprint	60 days	15.6 days
Supplier Group A which consists of Supplier A and Supplier A1 ^(Note)	A provider of security devices and solutions, headquartered in the Republic of Ireland, with sales offices across the globe. Its ultimate holding company is listed on the New York Stock Exchange.	About 11 years	25.3%	Biometrics identification devices: hand geometry	Payment in advance to 30 days	4.2 days

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Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier Group F ^(Note)	A manufacturer and seller of biometrics identification and security products, headquartered in France, with sales network across the world. Its ultimate holding company is listed on Euronext Paris.	About 5 years	7.4%	Biometrics identification devices: fingerprint, finger vein and face	30 to 60 days	68.1 days
Supplier E	A private limited company in the PRC engaged in manufacturing and selling of intelligentised access control systems.	About 9 years	5.6%	Other devices and accessories	cash on delivery	15.1 days
Supplier C	A manufacturer and seller of advanced identification systems and solutions, headquartered in Stockholm, Sweden, with dedicated agencies in the US and China. Its ultimate holding companies is listed on the Stockholm Stock Exchange.	About 2 years	3.7%	Other devices and accessories	Payment in advance	N/A

Note: Individual corporate suppliers which are subsidiaries, joint-ventures or associates are grouped together.

Four months ended 31 July 2017

Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier B	A manufacturer and seller of biometrics identification and security products, headquartered in the Republic of Korea, with sales network across the world. It is listed on the Korea Exchange.	About 11 years	33.1%	Biometrics identification devices: face and fingerprint	60 days	70.7 days
Supplier G	A private limited company in the PRC engaged in manufacturing and selling of mobiles and handheld devices.	About 2 years	23.8%	Other devices and accessories	Payment in advance and cash on delivery	N/A

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Supplier	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of purchase	Products provided to the Group during the year	Payment terms	Actual settlement days
Supplier A	A provider of security devices and solutions, headquartered in the Republic of Ireland, with sales offices across the globe. Its ultimate holding company is listed on the New York Stock Exchange.	About 11 years	6.1%	Biometrics identification devices: hand geometry	30 days	24.9 days
Supplier H	A private limited company in US engaged in developing and selling of iris identification devices and solutions.	About 6 years	6.0%	Biometrics identification devices: iris	Payment in advance	N/A
Supplier I	A private limited company in Hong Kong engaged in providing telecommunication and security systems.	About 2 years	3.3%	Other devices and accessories	Payment in advance and cash on delivery	N/A

Note: Individual corporate suppliers which are subsidiaries, joint-ventures or associates are grouped together.

None of the Directors, their respective close associates or any Shareholders holding more than 5% of the issued share capital of the Company held any interest in the five largest suppliers of the Group during the Track Record Period.

The payment terms with the Group's suppliers range from payment in advance to 60 days in general. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, the total cost of purchase of devices recognised in the cost of sales and services amounted to approximately HK\$19.2 million, HK\$20.7 million and HK\$7.3 million respectively, representing approximately 82.0%, 81.1% and 79.2% in terms of the Group's total cost of sales respectively.

During the Track Record Period, three of the Group's top five biometrics identification device suppliers have provided authorised dealer certificates to the Group. The terms of the authorised dealer certificates covering the Track Record Period till the Latest Practicable Date are summarised below:

Supplier	Authorised dealer	Authorised locations	Authorised products	Valid from	Valid until
Supplier A	SE Technology SE Engineering	Hong Kong, Macau	Hand geometry products and handpunch products	1 January 2015	31 December 2018
Supplier B	SE Technology	The PRC, Hong Kong and Macau	Biometric and RFID access control and time attendance system software and hardware	1 January 2015	31 December 2018
Supplier E	SE Technology SE Engineering SE R&D	Hong Kong and Macau	Series products under the brand names of Supplier E including but not limited to security gates	1 November 2015	31 December 2018

Some of the abovementioned top five major suppliers also made insignificant purchase of products such as face identification devices, fingerprint identification devices, hand geometry identification devices and other devices and accessories from the Group during the Track Record Period. The sales to

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these top five major suppliers were approximately HK\$1.5 million, HK\$1.2 million and HK\$0.2 million for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively, accounting for 2.5%, 1.9% and 1.0% of the Group's total revenue for the corresponding periods.

Such purchase was largely contributed by Supplier E, which has purchased mainly RFID card readers and smart cards from the Group during the Track Record Period. The card readers purchased by Supplier E were integrated with their own long-range detection for car parking systems and sold to their own target customers. The Group purchased RFID card readers and smart cards from its own suppliers and sold to Supplier E without any value-added services. During the Track Record Period, the Group purchased security gates from Supplier E for integrating with the Group's biometric components. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the sales to Supplier E accounted for approximately 2.4%, 1.8% and 0.5% of the Group's total revenue, respectively while the average gross profit margin for the sales to Supplier E was approximately 7.3% to 11.6%.

Supplier D purchased fingerprint identification devices and hand geometry identification devices from the Group during the Track Record Period. These identification devices purchased by Supplier D were installed in their own access control systems and sold to their customers. The Group purchased other devices and accessories, such as smart card products and hand-held devices from Supplier D during the Track Record Period, which are different from the products the Group sold to Supplier D. The revenue generated from the sales to Supplier D accounted for less than 1% of the Group's total revenue for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively, while the average gross profit margin for the sales to Supplier D was approximately 22.8% to 36.5%.

Supplier B purchased face identification devices, fingerprint identification devices and other devices and accessories from the Group in the year ended 31 March 2016, which amounted to less than 1% of the Group total revenue. The gross profit margin for the sales to Supplier B was approximately 55.7%. Such purchase was a one-off transaction and Supplier B did not make any purchase from the Group in the year ended 31 March 2017 and the four months ended 31 July 2017.

INVENTORY CONTROL

The Group's inventories include biometrics identification devices and other devices. The Directors consider that effective control over the level of inventory is important to the overall profitability of the Group. As the Group made 66.4%, 64.9% and 39.2% of its purchase from Supplier Group A and Supplier B in each of the two years ended 31 March 2017 and the four months ended 31 July 2017, any disruption to the supply from Supplier Group A or Supplier B may have a more significant effect on the Group's inventory control than that of the other suppliers. Thus, in order to secure the supply of goods from Supplier Group A and Supplier B, from time to time the Group discusses the procurement plan for up to the next 12 months with them. The Group usually placed orders to Supplier Group A and Supplier B several times a year after considering the recent sales performance and any discount or promotion offered by them. In June 2016, Supplier A offered a one-off promotion to the Group such that the Group would be entitled to 30 hand geometry products for free for every 150 hand geometry products purchased. As such, the Group purchased 150 items and obtained 30 free hand geometry products in June 2016. Since Supplier B launched 9 new models during the calendar year 2016, the Group as its exclusive sales distributor purchased certain amount of different models of its products so as to widen

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the product model base. However, the Group still maintained and purchased old models as there is demand for old models. The number of models purchased from Supplier B had increased from 40 models to 50 models between the two years ended 31 March 2017.

For other products that are not sourced from Supplier Group A or Supplier B, in general, the Group reviews the level of inventory regularly based on sales forecast, market, economic condition and customers' expected purchase orders in order to estimate the required volume of inventory. The Group usually discusses with its customers their expected purchase orders upon customers' request. When determining the inventory level of the products, customer orders, historical record, and sales pattern of the customers are factors to be considered. Many of the Group's suppliers are located overseas, delivery lead time for products between order by the Group and delivery by overseas suppliers range from approximately 8 to 12 weeks. On the other hand, delivery lead time for products from supplier located in Hong Kong and the PRC normally takes less than 8 weeks. In respect of the products which are comparatively expensive and have less demand from customers such as biometrics identification devices with iris identification function, with a view to maintaining a low inventory level, the Group generally places orders after the Group negotiates or receives sales orders from its customers for the relevant models and only purchases them at the time when customers confirm their orders. When reviewing a large amount of sales orders, the Group will check the availability of the stock before accepting the order. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the inventory turnover days, which are calculated by dividing the average of the beginning and ending inventory balances for the period by cost of inventories sold for the period and then multiplied by the number of the days in the period, were approximately 171.0 days, 255.6 days and 266.9 days respectively. The Group has not experienced any shortage in the supply of products during the Track Record Period. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group made allowance of inventories of nil, approximately HK\$0.3 million and nil respectively.

The following table illustrates the ageing analysis of (i) the Group's inventories as at 31 March 2016, 31 March 2017 and 31 July 2017; and (ii) the subsequent sales of inventories as at 31 July 2017 up to the Latest Practicable Date:

	As at 31 March				As at 31 July		Subsequent sales of inventory as at 31 July 2017 up to the Latest Practicable Date	
	2016		2017		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
0-180 days	8,306	70.1	8,405	49.1	3,694	25.2	1,376	24.5
181-365 days	2,292	19.3	4,618	27.0	6,438	43.9	2,453	43.7
Over 365 days	1,255	10.6	4,097	23.9	4,533	30.9	1,783	31.8
	<u>11,853</u>	<u>100.0</u>	<u>17,120</u>	<u>100.0</u>	<u>14,665</u>	<u>100.0</u>	<u>5,612</u>	<u>100.0</u>

Most of the Group's inventories were aged below 181 days as at 31 March 2016. The carrying amount aged over 180 days accounted for 29.9%, 50.9% and 74.8% of the total inventories as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively. The reason for the increase in portion of inventories aged over 180 days as at 31 March 2016, 31 March 2017 and 31 July 2017 was mainly because of (i) the accumulation of Supplier B's products due to the increase in model number during the

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two years ended 31 March 2017; (ii) the increase in purchase of certain biometrics identification device to enjoy promotion by Supplier A as mentioned above as well as the bulk purchase discount offered by Supplier A during the two years ended 31 March 2017. In relation to the bulk purchase discount offered by Supplier A, a 2.8% discount will be offered to the Group for purchase of 700 items per calendar year. The Group purchased 877 items from Supplier A in calendar year 2015 and obtained a 2.8% discount. The Group purchased less than 700 items in calendar year 2016 and did not enjoy the bulk purchase discount. Some of these mentioned items purchased from Supplier A and Supplier B remained unsold as at 31 March 2017 and 31 July 2017. As at 31 March 2016, 31 March 2017 and 31 July 2017, the carrying amount of Supplier B's inventories aged over 180 days was approximately HK\$2.5 million, HK\$5.5 million and HK\$7.1 million respectively while the carrying amount of Supplier Group A's inventories aged over 180 days was approximately HK\$0.4 million, HK\$2.6 million and HK\$3.3 million as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively.

The Group has a stringent inventory control policy to monitor its inventory levels and control obsolete inventory. The Group monitors the usage of the current period's inventory and estimates the amount of any obsolete items.

The Group has instituted the following major inventory control policy to ensure efficient inventory management:

- sales orders received by the projects and sales department have to be recorded in ERP;
- all purchases of products, parts and accessories must be authorised and approved by the supervisor of the finance and administration department and/or a Director and recorded in the ERP;
- all incoming products, parts and accessories must be examined and verified against purchase orders before acceptance;
- all outgoing products, parts and accessories for delivery or maintenance use must be authorised by the projects and sales department and recorded in the ERP;
- delivery of all products, parts and accessories is recorded in the ERP; and
- monthly and annual inventory counts are performed to ensure that the number of items in storage facilities corresponds with all record entries recorded during the relevant period.

Due to the fact that (i) there is no indication that new technology prevailing in the commercial market will significantly affect and replace the biometrics identification technology needed for the devices as sold by the Group; (ii) the inventories were not obsolete; (iii) Supplier B provides repair services for its 6 discontinued models; (iv) the gross profit margin of the subsequent sales of the inventories aged over 365 days was similar to the Group's gross profit margin during the Track Record Period; and (v) approximately 38.3% of inventories as at 31 July 2017 had been sold up to the Latest Practicable Date which covers a period of about six months, the Directors are of the view that the allowance for inventories of approximately nil, HK\$0.3 million and nil provided for the two years ended 31 March 2017 and for the four months ended 31 July 2017 respectively, is adequate and no additional allowance for inventories is necessary.

SUBCONTRACTORS

As part of the normal operation process, the Group is responsible for the installation and maintenance of biometrics identification solutions/devices. The on-site installation and maintenance process in Macau has been subcontracted to Subcontractor A since October 2013. Subcontractor A is principally engaged in, among other things, provision of security system services, access control system and surveillance systems in Macau, and was the largest subcontractor of the Group during the Track Record Period. The amount of subcontracting fee paid or payable to Subcontractor A for the two years ended 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$0.9 million, HK\$0.9 million and HK\$0.3 million respectively, representing approximately 83.6%, 92.4% and 66.5% of the Group's total subcontracting fee. No credit term was officially granted by Subcontractor A. As at the Latest Practicable Date, Subcontractor A had approximately four years of business relationship with the Group.

To clearly define the rights and obligations of Subcontractor A, the Group entered into subcontracting agreements with Subcontractor A on 1 November 2015, 1 July 2016 and 1 July 2017 during the Track Record Period. The salient terms under the subcontracting agreements are the same except for the date and duration of the agreements. The salient terms under the current subcontracting agreement are set out below:

Subcontracting agreements with Subcontractor A

<i>Date of agreement</i>	1 July 2017
<i>Parties</i>	SE Macau and Subcontractor A
<i>Contract duration</i>	From 1 July 2017 to 30 June 2018
<i>Scope of services provided by Subcontractor A</i>	Installation and maintenance services including but not limited to follow-up service call and rectification, routine check, on-site/off-site inspection
<i>Contract price</i>	The estimated service charge will be HK\$65,000 per month (subject to any deduction of liquidated damages owed by Subcontractor A)
<i>Subcontractor A's obligations</i>	Subcontractor A shall conform in all respects to the provisions and regulations of any law, ordinance, government authority and shall hold harmless, defend, and indemnify SE Macau against all penalties by reason of non-observance of any such provisions and regulations. Subcontractor A agrees to obtain and pay for all permits, licences and official inspections made necessary by its work and to comply with all laws, ordinances and regulations bearing on its work and conduct thereof. Subcontractor A shall provide safe and sufficient facilities for its own workmen, suppliers, and any other individuals for whom Sub-contractor A is responsible.

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Subcontractor A shall at all times supply adequate tools, appliances and equipment, a sufficient number of properly skilled workers and a sufficient amount of materials and supplies of proper quality to efficiently and promptly prosecute the said work.

Subcontractor A must compensate SE Macau for any loss to SE Macau's equipment which is caused by misappropriation of custodian.

Subcontractor A must report daily job/call status by whatsapp/email of photos with related reports/documents, including daily schedule, service report, delivery note and regular check report.

Insurance Subcontractor A shall carry general liability insurance covering all operations by or on behalf of Subcontractor A, and actions or omissions by Subcontractor A.

Termination The parties may at any time terminate the agreement by mutual written consent.

The installation of biometrics identification solutions/devices in Hong Kong is usually carried out by the Group's technicians. However, as a contingency and back-up, the Group subcontracted certain installation work which is relatively simple and standardised to Subcontractor B in Hong Kong on an ad hoc basis. The amount of subcontracting fee paid or payable to Subcontractor B for the two years ended 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$0.1 million, HK\$58,000 and nil respectively.

The Group has engaged Subcontractor C for the installation of electronic locks in Hong Kong as the Group does not possess the relevant expertise/qualification and special tools. The amount of subcontracting fee paid or payable to Subcontractor C for the two years ended 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$23,000, HK\$15,000 and HK\$8,000 respectively. No subcontracting agreement was signed with either Subcontractor B or Subcontractor C. Subcontractor B and Subcontractor C charge the Group on a task-by-task basis.

The Group has also engaged Subcontractor D in May 2017 for recruiting manpower to conduct researches and develop web based systems (the "**Web Based Systems**") in Zhuhai, the PRC. The Web Based Systems are not required to be integrated with "Time Expert" and are intended to be accessed over a network connection instead of being accessed on a specific device at a designated location. The Web Based Systems are intended to include (i) EIMS & RFID system to provide an online equipment and inventory management system for controlling and tracking status of inventories and equipment by using RFID tags and portable devices; and (ii) a human resources management system consisting functions of payroll calculation, tax filing and staff performance assessment.

The Directors consider that there are two main reasons for the Group to engage Subcontractor D. Firstly, the software development department of the Group was highly utilised to support its daily operation, such as providing maintenance of "Time Expert" and after-sales services to customers. As such, the software development department has limited capacity to develop new systems and applications. Secondly, since the development of the Web Based Systems is a one-off project and

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expected to be substantially completed by the second half of 2018, the engagement of Subcontractor D provided scalability without incurring additional administrative costs relating to an increase in headcount.

Subcontractor D is a private company incorporated in Hong Kong in 2007 and is principally engaged in, among other things, the provision of various software engineering and outsourcing services. Subcontractor D's related companies also provide other services such as (i) software product and support to enterprises throughout China and Asia Pacific; (ii) software engineering training and education; and (iii) advisory and financing services to private companies in the software industry.

As at the Latest Practicable Date, Subcontractor D has assigned nine personnel to work exclusively on the Web Based Systems under the Group's instructions and supervision. The development of the Web Based Systems is expected to be substantially completed by the second half of 2018. Since the engagement with Subcontractor D is on a one-off project-basis, the Directors consider that the engagement of Subcontractor D will terminate upon completion of the project. The maintenance of the Web Based Systems will be handled by the Group's software development department after the establishment.

The amount of subcontracting fee paid or payable to Subcontractor D for the four months ended 31 July 2017 was approximately HK\$0.1 million, representing approximately 31.5% of the Group's total subcontracting fees. To clearly define the rights and obligations of both parties, the Group entered into a subcontracting agreement with Subcontractor D on 22 May 2017. The salient terms under the subcontracting agreement are set out below:

Subcontracting agreement with Subcontractor D

<i>Date of agreement</i>	22 May 2017
<i>Parties</i>	SE R&D and Subcontractor D
<i>Contract duration</i>	From 22 May 2017 to 21 May 2018 (automatically renewed by one year unless terminated by either party in writing or terminated by both parties upon agreement)
<i>Scope of services provided by Subcontractor D</i>	Subcontractor D shall establish a team of software engineers exclusively for SE R&D in Zhuhai, the PRC and shall provide (i) office premises in Zhuhai or assign its personnel to work place designated by SE R&D; (ii) basic office equipment and furniture; administration and human resources related support services; and (iii) basic telecommunication facilities and IT technical support. Subcontractor D shall be responsible for (i) the recruitment of a team of qualified software engineers upon approval from SE R&D; and (ii) replacement of any software engineer upon receiving written request from SE R&D in a timely manner.

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Subcontractor D shall ensure that all personnel assigned for SE R&D comply strictly with the rules, regulations and job responsibilities set out by SE R&D, including observance of confidentiality, and protection of the benefits and reputation of SE R&D.

Contract price

SE R&D shall pay all salaries, social insurance premium, housing provident fund and any other benefits of such personnel (the “**Remuneration**”) plus related services charges (as set out below) for each month to Subcontractor D no later than the 15th of the following month upon receipt of Subcontractor D’s invoice and attendance record for such month; SE R&D shall be subject to a surcharge of 0.05% daily on the total sum for such month in the event of late payment.

Calculation of services charges:

RMB3,000 per head (if number of personnel assigned is lower than 10); RMB2,700 per head (if number of personnel assigned is above 10 but lower than 20); RMB2,550 per head (if number of personnel assigned is above 20 but lower than 30); RMB2,400 per head (if number of personnel assigned is above 30).

SE R&D shall maintain a deposit of RMB20,000 with Subcontractor D for reimbursement of, *inter alia*, travelling expenses of its personnel assigned for SE R&D and various disbursements.

Subcontractor D’s obligations

Any monetary damages sustained by SE R&D which are caused by material non-compliance, non-performance of job responsibilities, or breach of confidentiality by the personnel assigned for SE R&D should be compensated by Subcontractor D.

Subcontractor D shall provide in its employment contract with any personnel assigned for SE R&D that SE R&D shall enjoy the rights and benefits of Subcontractor D as a third party, and shall cause any such personnel to sign a confidentiality agreement for the protection of SE R&D on joining (the content of which shall be approved by SE R&D in advance).

Subcontractor D shall be responsible for the contractual relationship with all personnel assigned to SE R&D and shall pay all Remuneration (to be reimbursed by SE R&D as set out above), and shall be responsible for any labour related disputes with such personnel.

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Termination

Either party can terminate the agreement in accordance with any of the following:

- by giving 60 days' written notice to the other party;
- any party is in default of any terms of the agreement and a notice has been served on such defaulting party for 30 days to remedy the same and such defaulting party has failed to remedy the same;
- any party is found by the other party to be insolvent or bankrupt or unable to pay its debts or has filed a winding-up petition or is in the process of winding-up, merger or acquisition;
- any party makes arrangement with its creditors for appointment of administrator or liquidator in respect of taking over of its assets; and
- any party fails to perform its obligations under the agreement for 30 days continuously due to factors out of its control (including any force majeure event).

Intellectual property rights

All intellectual property rights derived from the work of Subcontractor D's personnel assigned for SE R&D belongs to SE R&D solely.

Overlapping of major subcontractors and customers

Subcontractor A and Customer J are related companies which are held by certain common shareholders. During the Track Record Period, Subcontractor A was both a subcontractor and customer of the Group while Customer J was a customer of the Group. Subcontractor A was substantially the Group's major subcontractor while revenue from Subcontractor A and Customer J accounted for less than 0.5% and 3.0% of the Group's revenue respectively during the Track Record Period. To the best knowledge of the Directors, Subcontractor A engages in the provision of security system services, access control system and surveillance systems in Macau while Customer J engages in the provision of security services in Hong Kong.

During the Track Record Period, Subcontractor A provided installation and maintenance services to the Group's customers in Macau. The amount of subcontracting fees paid or payable to Subcontractor A for the two years ended 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$0.9 million, HK\$0.9 million and HK\$0.3 million respectively, representing approximately 83.6%, 92.4% and 66.5% of the Group's total subcontracting fees. No credit term was officially granted by Subcontractor A.

During the year ended 31 March 2016, the Group mainly provided surveillance systems to Subcontractor A for further integration with its own security systems for its customers. Revenue derived from Subcontractor A for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 amounted to approximately HK\$190,000, nil and nil respectively, representing approximately

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0.3%, nil and nil of the Group's total revenue respectively, while the average gross profit margin for the products provided to Subcontractor A was approximately 37.4%, nil and nil respectively for the same periods.

During the two years ended 31 March 2017, the Group mainly provided (i) surveillance systems to Customer J for further integration with its own security systems for its customers; and (ii) fingerprint identification devices to Customer J for its internal use. During the four months ended 31 July 2017, the Group provided a tailor-made solution for a patrol system to Customer J for its customers. Revenue derived from Customer J for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 amounted to approximately HK\$0.1 million, HK\$16,000 and HK\$0.6 million respectively, representing approximately 0.2%, 0.0% and 2.5% of the Group's total revenue respectively, while the average gross profit margin for the products provided to Customer J was approximately 58.6%, 53.1% and 61.8% respectively for the same periods.

The Directors are of the view that there are no unusual benefits to the Group or Subcontractor A or Customer J other than the profit derived from the arm's length transactions with the overlapping customer as disclosed above.

During the Track Record Period, Subcontractor B was one of the subcontractors of the Group and a customer of the Group. Revenue derived from Subcontractor B was approximately HK\$11,000 and accounted for 0.0% of the Group revenue during the Track Record Period. To the best knowledge of the Directors, Subcontractor B engages in the provision of installation of security control equipment and systems.

During the Track Record Period, the Group engaged Subcontractor B in Hong Kong for the installation of biometrics identification solutions/devices in Hong Kong which is relatively simple and standardised on an ad hoc basis as a contingency and back-up. The amount of subcontracting fees paid or payable to Subcontractor B for the two years ended 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$0.1 million, HK\$58,000 and nil respectively, representing approximately 14.2%, 6.0% and nil of the Group's total subcontracting fee respectively.

During the year ended 31 March 2017, the Group mainly provided surveillance systems to Subcontractor B. Revenue derived from Subcontractor B for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 amounted to approximately nil, HK\$11,000 and nil respectively, representing approximately nil, 0.0% and nil of the Group's total revenue respectively, while average gross profit margin for the products provided to Subcontractor B was approximately nil, 53.9% and nil respectively.

The Directors are of the view that there are no unusual benefits to the Group or Subcontractor B other than the profit derived from the arm's length transaction with the overlapping customer as disclosed above.

SALES AND CUSTOMERS

The Group's customers are classified as (i) end-users; (ii) system integrators; and (iii) resellers. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$43.2 million, HK\$44.6 million and HK\$17.4 million revenue was derived from end-user customers, representing approximately 73.1%, 70.3% and 71.3% of the Group's revenue respectively. Many of the Group's end-user customers are construction companies in Hong Kong and Macau. For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group derived revenue of approximately HK\$38.2 million, HK\$38.7 million and HK\$15.6 million from construction companies in Hong Kong and Macau respectively, representing approximately 64.6%, 60.9% and 63.8% of the Group's total revenue respectively. These construction companies purchase biometrics identification solutions/devices from the Group mainly for use in their construction sites. The biometrics identification solutions/devices are generally used by these construction companies to (i) keep track of and control the logistics of workers in construction sites; (ii) process the attendance records of workers for human resources management; and (iii) generate and submit the relevant site labour returns which comply with the specification of the Construction Workers Registration Ordinance. The Group also sells biometrics identification solutions/devices to system integrators which integrate the Group's products into its own larger security products/systems and/or equip the Group's products with its own software solution for sales to its own customers. Some of their customers such as casinos and chained retail stores may need larger and more complex security systems. For the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately HK\$12.1 million, HK\$15.2 million and HK\$5.7 million revenue was derived from system integrator customers, representing approximately 20.5%, 23.9% and 23.5% of the Group's revenue respectively. For reseller customers, they include trading companies, software houses and other security product companies, which have their own sales/customer networks and resell the Group's products to their customers.

During the Track Record Period, the Group charged end-users a higher gross profit margin of approximately 55.0% to 65.0% for sales of products comparing with that of the other customer types mainly due to the fact that (i) end-users usually place orders on a project basis in which more resources and selling and administrative activities were involved; and (ii) the Group usually provides up to one year standard maintenance services after delivery which is not provided to system integrators and resellers. The Group charged system integrators a standard gross profit margin of approximately 40.0% to 50.0% for sales of products who usually place orders on a project basis that involves more resources and selling and administrative activities. The Group charged resellers a lower gross profit margin of approximately 30.0% to 40.0% for sales of products mainly due to their bulk purchase pattern that less negotiation and time are needed for arranging delivery, billing and other selling and administrative activities. Only remote diagnostic services by telephone support were provided to system integrators and resellers.

During the Track Record Period, the Group generally charged end-users a gross profit margin of approximately 70.0% to 75.0% for the provision of auxiliary and other services based on the wages and staff cost of (i) the technicians who performed the installation and maintenance services; and (ii) software development specialists who delivered various solutions services to the end-users; and (iii) the subcontracting fees paid to the subcontractors. System integrators and resellers seldom require the Group to provide auxiliary and other services. The Group's major resellers have introduced and promoted the Group's products on their own websites or showcased them in exhibitions. During the Track Record Period, the Group did not enter into any agreement with the resellers. As at the Latest Practicable Date,

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the Group had about two to seven years of business relationship with its major resellers. The following table sets forth the breakdowns of revenue by type of customers during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
End-users	43,187	44,649	12,187	17,389
System integrators	12,127	15,202	6,289	5,743
Resellers	<u>3,751</u>	<u>3,671</u>	<u>1,626</u>	<u>1,266</u>
	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

The following table sets forth the breakdown of overall gross profit margin (including gross profit margin of products and service provided) by type of customers during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
			(unaudited)	
End-users	66.0	65.9	64.8	68.8
System integrators	48.7	46.8	41.8	48.6
Resellers	<u>34.3</u>	<u>39.8</u>	<u>35.0</u>	<u>37.2</u>
Overall gross profit margin	<u>60.4</u>	<u>59.8</u>	<u>55.2</u>	<u>62.4</u>

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All of the Group's products were sold and all of the service was provided in Hong Kong, Macau and the PRC during the Track Record Period. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, approximately 78.3%, 78.1% and 83.5% of the Group's total revenue were derived from Hong Kong respectively. The following table sets forth the breakdown of revenue by geographical location during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Hong Kong	46,238	49,625	14,565	20,373
Macau	5,916	7,064	3,043	1,340
The PRC	<u>6,911</u>	<u>6,833</u>	<u>2,494</u>	<u>2,685</u>
	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

The following table sets forth the breakdown of gross profit margin of the Group's subsidiaries by their geographical location during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months end 31 July	
	2016 %	2017 %	2016 % (unaudited)	2017 %
Hong Kong	70.3	69.5	67.5	69.4
Macau	17.0	16.8	17.0	19.7
The PRC	<u>31.8</u>	<u>34.0</u>	<u>29.9</u>	<u>30.8</u>
Overall gross profit margin	<u>60.4</u>	<u>59.8</u>	<u>55.2</u>	<u>62.4</u>

During the Track Record Period, SE Macau generated a lower gross profit margin for products and services provided to customers in Macau due to the fact that Hong Kong Subsidiaries performed more functions and took up more risks, such as sales and marketing, administration and inventory management as compared to SE Macau in the intragroup transactions. As such, SE Macau was charged at a higher price by the Hong Kong Subsidiaries, and therefore recorded a higher cost and generated a lower gross profit margin for the products and services provided to customers in Macau. Since most customers in the PRC were mainly resellers and system integrators which did not require maintenance and installation services, SE Shenzhen generated a lower gross profit margin as compared to those of Hong Kong Subsidiaries of which customers were mainly end-users.

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Due to the capital nature of the Group's products, customers generally do not enter into long-term contracts with the Group. Sales of products are usually initiated by placing purchase orders to the Group by the customers. Two construction company group customers, being Customer Group A and Customer Group B, negotiate the selling price with the Group annually, and adopt an agreed-upon price list for the rest of the year. Subsidiary companies of Customer Group A and Customer Group B also follow the agreed price list, and do not negotiate price every time they make purchase from the Group. However, there is no commitment for the actual volume of products to be bought or sold by the parties unless a purchase order is placed by a customer. The Group generally provides one year free warranty for equipment provided by the Group and standard maintenance service after delivery^(Note). Upon customers' request, the Group would provide maintenance services to customers under a maintenance service agreement which generally lasts up to one year.

Note 1: Warranty does not include any abnormal use or operation, consumable parts and equipments not provided by the Group.

During the Track Record Period, the Group generated revenue from customers in different industries. The table below sets out the Group's sales breakdown from its end-user customers by their industries during the Track Record Period:

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Construction	38,204	38,725	15,554
Casino	1,129	2,405	499
Manufacturing	688	381	296
Financial service	59	492	254
Hotel and catering	544	629	170
Property management	447	215	115
Office leasing	559	36	42
Others (Note)	1,557	1,766	459
	<u>43,187</u>	<u>44,649</u>	<u>17,389</u>

Note: Other industries include but not limited to recreation, interior design, logistic and beauty which each industry represents less than 1% of the Group's total revenue for the respective year/period.

Revenue derived from the Group's top five customers accounted for an aggregate of approximately 28.0%, 27.7% and 30.4% of the Group's total revenue in each of the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. For the same periods, the Group's largest customer contributed approximately 8.1%, 7.9% and 9.5% to the Group's total revenue respectively.

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The table below sets out the business scope and other details of the Group's top five customers during the Track Record Period:

Year ended 31 March 2016

Customer (Note 1)	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of revenue	Products/service sold/ provided by the Group during the period	Payment terms (Note 2)	Actual settlement days (Note 3)
Customer Group A (Note 4)	A group of companies providing building construction service, with its parent company listed on the London, Singapore and Bermuda stock exchanges. The parent listed group engages in engineering and construction, and property investment and development.	more than 8 years	8.1%	Biometrics identification devices: hand geometry and fingerprint Other devices and accessories Service income Software licensing income	30 days	94.7 days
Customer Group B (Note 5)	A group of companies providing building construction service, with its parent company listed on the Shanghai Stock Exchange. The parent listed group engages in construction property and investment.	more than 7 years	5.9%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	163.0 days
Customer Group C (Note 6)	A group of companies providing building construction service, with its parent company listed on the Main Board of the Stock Exchange. The parent listed group engages in property development, infrastructure and services, retail and serviced apartments.	more than 8 years	5.2%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	125.7 days
Customer Group D (Note 7)	A group of companies providing building construction service, with its parent company listed on the Main Board of the Stock Exchange. The parent listed group engages in construction, property and related services.	more than 8 years	4.6%	Biometrics identification devices: hand geometry and fingerprint Other devices and accessories Service income Software licensing income Others	30 days	127.3 days
Customer Group E (Note 8)	A group of companies providing building construction service, with its parent company listed on the Australian Securities Exchange. The parent listed group engages in construction, engineering and operation and maintenance services.	more than 7 years	4.2%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	95.4 days

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Year ended 31 March 2017

Customer (Note 1)	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of revenue	Products/service sold/ provided by the Group during the period	Payment terms (Note 2)	Actual settlement days (Note 3)
Customer Group D (Note 7)	A group of companies providing building construction service, with its parent company listed on the Main Board of the Stock Exchange. The parent listed group engages in construction, property and related services.	more than 9 years	7.9%	Biometrics identification devices: hand geometry and fingerprint Other devices and accessories Service income Software licensing income Others	30 days	107.0 days
Customer Group F (Note 9)	A group of companies providing building technologies solution service, with its parent company listed on the New York Stock Exchange. The parent listed group engages in technology products and services to building systems and aerospace industries.	more than 9 years	5.7%	Biometrics identification devices: hand geometry, fingerprint, face, iris and finger vein Other devices and accessories Service income Software licensing income	30 days	63.1 days
Customer Group G (Note 10)	A group of companies providing building construction service, with its parent company listed on Korea Exchange. The parent listed group engages in engineering and construction, trading and investment, fashion and retail.	more than 4 years	5.1%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	100.2 days
Customer Group B (Note 5)	A group of companies providing building construction service, with its parent company listed on the Shanghai Stock Exchange. The parent listed group engages in construction property and investment.	more than 8 years	4.5%	Biometrics identification devices: hand geometry and fingerprint Other devices and accessories Service income Software licensing income	30 days	152.5 days
Customer Group A (Note 4)	A group of companies providing building construction service, with its parent company listed on London, Singapore and Bermuda stock exchanges. The parent listed group engages in engineering and construction, and property investment and development.	more than 9 years	4.5%	Biometrics identification devices: hand geometry, fingerprint and face Other devices and accessories Service income Software licensing income	30 days	61.4 days

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Four months ended 31 July 2017

Customer ^(Note 1)	Nature of main business	Approx. no. of years of relationship with the Group	Percentage of revenue	Products/service sold/ provided by the Group during the period	Payment terms (Note 2)	Actual settlement days (Note 3)
Customer Group H (Note 11)	Private limited companies in Hong Kong and Macau engaging in providing security solution services. The ultimate holding company is a private company headquartered in Singapore, engaging in system integration.	more than 5 years	9.5%	Biometrics identification devices: fingerprint and face Service income	Payment in advance to 14 days	24.7 days
Customer Group A (Note 4)	A group of companies providing building construction service, with its parent company listed on the London, Singapore and Bermuda stock exchanges. The parent listed group engages in engineering and construction, and property investment and development.	more than 9 years	8.7%	Biometrics identification devices: hand geometry and fingerprint Other devices and accessories Service income Software licensing income	30 days	45.7 days
Customer Group I (Note 12)	A group of companies providing building construction service, with its parent company listed on the Main Board of the Stock Exchange. The parent listed group engages in property development and construction with interests in Hong Kong, Macau and the PRC.	more than 6 years	4.5%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	48.2 days
Customer Group E (Note 8)	A group of companies providing building construction service, with its parent company listed on the Australian Securities Exchange. The parent listed group engages in construction, engineering and operation and maintenance services.	more than 9 years	4.5%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	77.1 days
Customer Group B (Note 5)	A group of companies providing building construction service, with its parent company listed on the Shanghai Stock Exchange. The parent listed group engages in construction property and investment.	more than 9 years	3.2%	Biometrics identification devices: hand geometry Other devices and accessories Service income Software licensing income	30 days	122.2 days

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Notes:

1. Individual corporate customers which are subsidiaries, joint-ventures or associates are grouped together.
2. Excluding the payment term for maintenance service which is generally payment in advance.
3. The Directors consider the longer actual settlement days, as compared with the credit terms granted to the major customers, was mainly due to the fact that (i) most of the Group's major customers are construction companies which generally require complex product mix (including sales and installation of biometrics identification devices, other devices and accessories and provision of solution services) which requires more time to ensure smooth operation of the whole system before making payment; and (ii) most of the Group's major customers are listed companies which generally have more stringent internal payment policies involving lengthy procedure to settle the payment.
4. Customer Group A is headquartered in Hong Kong and has operations in the PRC and Southeast Asia by providing building and construction, engineering design and other construction and transportation services and property investment. According to its website, it has a turnover of over US\$2.5 billion (approximately HK\$19.5 billion) in 2016, and has 8,000 employees. Its holding company was incorporated in Bermuda in 1984 and has a standard listing on the London Stock Exchange in 1990 with secondary listings in Singapore (main board) in 1991 and Bermuda in 1996. The group's business focused primarily on Asia and provides a wide range of services including but not limited to property investment and development, engineering and construction and transport services.
5. Customer Group B is a subsidiary of its holding company which is listed on the Shanghai Stock Exchange. The first company of Customer Group B was incorporated in Hong Kong in 1979 to provide property development and property management services. Currently, Customer Group B has five group companies listed on the Stock Exchange and engages in property business, construction business and property management business respectively. According to the 2017 third quarter report of its holding company, (i) for the 9 months ended 30 September 2016 and 2017, the revenue was approximately RMB670,200 million (approximately HK\$779,136 million) and RMB770,899 million respectively (approximately HK\$904,885 million); (ii) the profit after taxation for the 9 months ended 30 September 2016 and 2017 was approximately RMB32,760 million (approximately HK\$38,085 million) and RMB34,674 million (approximately HK\$40,701 million) respectively. According to the 2016 annual report of the parent listed company, the total number of employees was about 255,878.
6. Customer Group C provides building construction service in Hong Kong and the PRC with its holding company listed on the Main Board of the Stock Exchange. According to the 2017 annual report of its holding company, (i) as at 30 June 2017, the gross value of contracts on hand for the construction business was approximately HK\$87.6 billion and the remaining works to be completed amounted to approximately HK\$54.7 billion; (ii) the profit after taxation for the year ended 30 June 2016 and 2017 were approximately HK\$12,283.4 million and HK\$10,474.7 million respectively; (iii) the revenue for the year ended 30 June 2016 and 2017 were approximately HK\$59,570.0 million and HK\$56,628.8 million respectively; and (iv) size of employees was about 44,000 for the year ended 30 June 2017.
7. Customer Group D provides business construction service in Hong Kong, Macau and the PRC with its holding company listed on the Main Board of the Stock Exchange. According to the 2017 interim report of its holding company, (i) during the first half of 2017, the construction division received new orders of HK\$136 million in total (2016: HK\$5,189 million); (ii) as of 30 June 2017, the outstanding workload reported HK\$9 billion, and among all the contracts on hand, 74% were from the public sector and MTR; (iii) during the period under review, the Group's core construction business recorded revenue of HK\$3.4 billion (2016: HK\$4.6 billion) and gross profit of HK\$85 million (2016: HK\$230 million); and (iv) the total number of employees (full time staff) was about 2,269 as at 30 June 2017.
8. Customer Group E is headquartered in Hong Kong and provides building construction service in Asia. Its holding company was listed on the Australian Stock Exchange (now known as the Australian Securities Exchange) in 1962 and has its head office in Sydney, Australia, providing construction, mining, mineral processing, engineering, concessions, and operation and maintenance services. According to the half-year report in 2017 of its holding company, (i) for the 6 months to June 2016 and 2017, the revenue was AUD4,913.7 million (approximately HK\$16,831 million) and AUD6,279.4 million (approximately HK\$37,625 million) respectively; (ii) the profit after taxation for the 6 months to June 2016 and 2017 was AUD244.6 million (approximately HK\$1,413 million) and AUD318.1 million (approximately HK\$1,906 million) respectively. Revenue for the nine months ended 30 September 2017 was reported to be AUD9.6 billion (approximately HK\$59 billion) and the group work in hand as at 30 September 2017 was reported to be AUD35.7 billion (approximately HK\$218 billion). According to the 2016 annual report of the parent listed company, there are 50,874 employees as at 31 December 2016.

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9. Customer Group F provides building technologies solution service in Asia. Its holding company is listed on the New York Stock Exchange, providing high technology products and services to the building systems and aerospace industries. According to the 2016 annual report of its holding company, for the year ended 2016, (i) the net sales was US\$57,244 million (approximately HK\$446,503 million); (ii) net income after tax was US\$5,055 million (approximately HK\$39,429 million); and (iii) the number of employees was 201,600.
10. The holding company of Customer Group G is listed on the Korea Exchange and has business over the world in America, Africa, Asia (including Hong Kong and the PRC) and Europe. According to the consolidated financial statements of the group of its holding company for the year ended 31 December 2016, (i) as at 31 December 2016, it has accumulated revenues and costs on the ongoing construction projects amounting to KRW30,527,670 million (approximately HK\$196,095 million) and KRW28,728,145 million (approximately HK\$184,535 million), respectively; (ii) as at 31 December 2016, the total accumulated revenues and costs incurred on all construction projects, including those completed during the current period, were KRW 50,788,183 million (approximately HK\$326,238 million) and KRW48,586,163 million (approximately HK\$312,093 million), respectively; (iii) the total sales for the year ended 31 December 2016 was KRW28,102,684 million (approximately HK\$180,517 million) (after deducting intercompany revenue) and the profit after income tax was US\$20,842,000 (approximately HK\$ 162,567,600).
11. Customer Group H comprises private companies incorporated in Hong Kong and Macau respectively. The Hong Kong branch was incorporated in 2009 and provides security solution service.
12. Customer Group I engages in building construction service in Hong Kong, the PRC and Macau with its holding company listed on the Main Board of the Stock Exchange. According to the 2017 interim report of its holding company, on the construction front, (i) the group secured more than HK\$4.3 billion of new construction contracts in the first half of 2017, capturing works in public housing, government buildings, maintenance works and interior design projects, and a further HK\$580 million public housing construction contract was secured after the reporting period; (ii) in the first half of 2017, the group's construction, maintenance and fit-out business in Hong Kong and Macau recorded a profit of HK\$50 million (2016: HK\$44 million), and saw the turnover increased significantly by 60% to HK\$3.1 billion (2016: HK\$2.0 billion); (iii) as of 30 June 2017, the gross value of contracts on-hand was approximately HK\$21.6 billion, and the value of outstanding contracts to be completed was approximately HK\$10.9 billion (HK\$18.6 billion and HK\$9.7 billion respectively as at 31 December 2016); and (iv) at 30 June 2017, the number of employees in the group was approximately 1,130 (31 December 2016: 1,220) in Hong Kong and Macau, and 460 (31 December 2016: 480) in subsidiaries and joint ventures in the PRC.
13. Certain information and statistics of the top five customers during the Track Record Period were extracted from financial reports published by their holding companies. The Group believes that the sources of this information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Group 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 has not been independently verified by the Group, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors, chief executives, or any person who owns more than 5% of the issued share capital of the Company or any of its subsidiaries, or their respective close associates had any interest in any of the Group's five largest customers during the Track Record Period.

The payment term for the sales of biometrics identification solutions/devices ranges from payment in advance to 90 days' credit. The payment term for maintenance service is generally payment in advance.

According to the announcements made by the ultimate holding company of Customer Group D, it had failed to pay the half-yearly interest (the "**Interest**") of US\$13.1 million (approximately HK\$102.4 million) on the US\$300 million senior notes which was due on 18 May 2017. Subsequently, the ultimate holding company of Customer Group D remitted the funds to settle the Interest on 14 June 2017. In addition, based on public information, the previous auditor of the ultimate holding company of Customer Group D did not express an audit opinion on the consolidated financial statements of the group of the

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ultimate holding company of Customer Group D for the year ended 31 December 2016 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

As at 31 July 2017, the Group had trade receivables from Customer Group D of approximately HK\$1.2 million (“**Trade Receivables**”), of which approximately HK\$0.4 million had been settled as at the Latest Practicable Date. The Trade Receivables comprised approximately (i) HK\$0.3 million due from group members of Customer Group D; (ii) HK\$0.9 million due from an unincorporated joint venture (“**Joint Venture A**”) of which Customer Group D is a party with 40.0% interest; (iii) HK\$23,000 due from other unincorporated joint venture (“**Joint Venture B**”) of which Customer Group D is a party with 22.5% interest; and (iv) HK\$26,000 due from other unincorporated joint venture (“**Joint Venture C**”) of which Customer Group D is a party with 65.0% interest.

The subsequent settlements of the Trade Receivables up to the Latest Practicable Date are set forth below:

	Trade receivables as at 31 July 2017 HK\$'000	Subsequent settlement up to the Latest Practicable Date HK\$'000
Due from group members of Customer Group D	273	262
Due from Joint Venture A	861	67
Due from Joint Venture B	23	23
Due from Joint Venture C	<u>26</u>	<u>26</u>
Total	<u>1,183</u>	<u>378</u>

The management of the Group considers that there is no indication for impairment in relation to Customer Group D's trade receivables and no allowance of trade receivables was made to the financial statements for the year ended 31 March 2017 and the four months ended 31 July 2017 for the following reasons:

- (i) For the year ended 31 March 2017 and the four months ended 31 July 2017, the Group had received payments from Customer Group D every month with an average monthly payment of approximately HK\$0.3 million. After the Track Record Period and up to the Latest Practicable Date, the Group had continued to sale to Customer Group D with an aggregate amount of approximately HK\$0.9 million. On the other hand, the Group had continued to receive payments from Customer Group D with approximately HK\$0.8 million; and
- (ii) As at the Latest Practicable Date, approximately HK\$0.8 million of the outstanding balance of the trade receivables as at 31 July 2017 due from Customer Group D was due from Joint Venture A. Customer Group D owns 40.0% interest in Joint Venture A while the remaining

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60% interest is owned by a company listed on the Korean Stock Exchange (the “**Other Participant**”). According to the unaudited quarterly report of the Other Participant, it held approximately HK\$2 billion cash and cash equivalent as at 31 March 2017. The Hong Kong Legal Counsel advised that if the financial condition of the ultimate holding company of Customer Group D deteriorates, the Group can go after the Other Participant or member of Joint Venture A because every participant or member in an unincorporated joint venture is liable jointly and severally with the other participant or member for all debts and obligations which the joint venture incurred. Hence, the Directors believe that the Group is able to receive the outstanding balance of the trade receivables due from Joint Venture A.

Based on the above, the Directors do not expect any material impact on the Group’s business or revenue to be derived from Customer Group D as a result of its financial difficulty and its failure to make timely payment of the Interest.

Further, the Directors consider that potential loss of business from Customer Group D is unlikely to have any material effect on the sustainability of the Group’s business for the following reasons:

- (i) The Group’s reliance on Customer Group D has not been significant. The revenue from Customer Group D only accounted for approximately 4.6%, 7.9% and 2.5% of the Group’s total revenue for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. After the Track Record Period, there has been a decrease in the transaction amount with Customer Group D. The average monthly sales generated from Customer Group D decreased from approximately HK\$0.4 million for the year ended 31 March 2017 to approximately HK\$0.2 million for the four months ended 31 July 2017. The average monthly sales generated from Customer Group D decreased to approximately HK\$0.1 million from August 2017 to the Latest Practicable Date. The decrease was mainly due to the substantial completion of the Shatin-Central Link Project in October 2016; and
- (ii) The Directors believe that the Group will continue to be able to secure new orders from its existing and new customers given the Group’s (a) in-depth understanding and expertise in biometrics identification technology; (b) capability of developing or customising software to integrate the access control and payroll systems for its customers; (c) proven track record; (d) reputation in the industry; (e) business network; and (f) solid relationship with its major customers and suppliers; and
- (iii) the Group has an extensive customer base of around 780 customers during the Track Record Period with a variety of industries such as casino, construction, hotel and catering, financial service, manufacturing, property management and office leasing. Such a variety of customers gives the Group an exposure of its products to customers in different industries. The Directors believe that the diversified applicability of its products will enable the Group to capture more customers from different industries after Listing.

Provision of maintenance service

For customers located in Hong Kong and Macau, the Group can provide maintenance services either through SE Engineering in Hong Kong or through Subcontractor A engaged for Macau after the end of warranty period. Customers in Hong Kong and Macau may discuss with the Group in relation to the renewal of maintenance contracts annually and may at their discretion enter into maintenance

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contracts with the Group for maintenance of the biometrics identification solutions/devices for certain period which usually lasts up to one year. The scope of services under the usual maintenance agreements of the Group is summarised in the sub-section headed “Services” in this section.

In November 2015, the Group entered into an agreement with a joint venture of Customer Group D and Customer Group G for the provision of (i) design, supply and installation of tunnel access control system for Shatin to Central link East West line; and (ii) maintenance service for tunnel access control system in relation to Shatin to Central link construction project. This project covers the period from December 2015 to April 2018 including maintenance service. The contract sum is approximately HK\$7.6 million, subject to a fixed sub-contracting rate. The Group has generated revenue of nil, approximately HK\$6.1 million and HK\$0.3 million from this project for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively.

MARKETING

The Group markets its company group under the brand “Solution Expert”. As at 31 July 2017, the Group had a projects and sales department of 11 employees. The Group’s sales and marketing strategies primarily focus on increasing its sales to existing customers and expanding its sales network, mainly through trade exhibitions. The Directors believe that a heightened brand awareness would generate further business opportunities and attract new customers. The Group (i) takes part in some exhibitions or conferences in the PRC and Hong Kong in promoting its products; and (ii) sends its sales and marketing personnel to attend exhibitions and trade fairs in Hong Kong and the PRC to make contact with potential customers and suppliers. The Group plans to continue developing and exploring the markets by attending and participating in both types of trade exhibitions in Hong Kong and the PRC in order to promote its products to new customers as the Directors consider this to be an effective way to approach new customers, maintain relationship with existing customers and raise awareness of the Group’s products among potential customers. During the Track Record Period, the Group took part in the following exhibitions or conferences:

Exhibition and Conference	Duration	Location
The 15th China Public Security Expo	29 October 2015– 1 November 2015	Shenzhen, the PRC
The 13th Edition China International Exhibition on Public Safety and Security	25–28 October 2016	Beijing, the PRC
The 14th Asian International Security, Safety and Fire Protection Show & Conference	4–6 May 2016	Hong Kong
The 16th China Public Security Expo	29 October 2017– 1 November 2017	Shenzhen, the PRC

The Directors believe that effective marketing strategies are important to the Group’s business development. The projects and sales department of the Group is responsible for planning and executing marketing strategies. The Directors believe that maximising brand awareness is essential. The strategy is executed through different channels such as corporate website, corporate brochure, newsletter, conference and exhibition.

QUALITY CONTROL

The Group places great emphasis on the quality of its products and aim to fulfill customers' specifications and requirements. The Directors believe that the Group's commitment to high quality is a key factor contributing to its success. A comprehensive quality control system has been in place throughout the Group's lines of business.

Quality control procurement of hardware from suppliers

The Group's products are sometimes required by customers to comply with relevant local and international safety standards and regulatory requirements, such as the CB, CE, FCC and RoHS. To ensure compliance with CB, CE, FCC and/or RoHS for the products, the Group requires its suppliers to present a declaration to the effect that products provided by them had complied with the relevant standards. The suppliers also regularly make available to the Group various compliance testing reports that are performed on products supplied by them. For core products sourced from new suppliers, the Group's product and technical engineer staff will perform internal testing of the functionality of the products to ensure satisfactory performance of the products. Before delivery of products to customers, the staff of the operations and services department will also spot check the performance of the products at the Group's workshop. For customers that require installation of the Group's products, the Group's technicians or subcontractors who performed the installation would again conduct a sample run of the products after the installation to ensure the products have been properly installed.

Quality control of the maintenance service

For the quality control of the maintenance service, the Group would provide its technicians with detailed usage instructions of some of its major products for handling or setting up the products. The Group also formalised/standardised the maintenance procedures by setting out the steps for its technicians to follow when handling customers' maintenance requests. A log book of the customers' maintenance requests is maintained to keep record of the follow-up actions of customers' requests. Such log book is reviewed by the Group's projects and sales senior manager from time to time. Subsequent to the provision of on-site maintenance service, the Group's staff will call the customers to enquire the quality of service provided and any needs for follow-up maintenance service.

Quality control of subcontractors

Concerning the service quality of subcontractors, Subcontractor A and Subcontractor B are required to submit a services report or delivery note with a description of service performed for the Group after each installation and maintenance. The report records the job status of the installation and maintenance. They are also required to take photos of the products installed for the purpose of recording their work. Subsequent to the provision of on-site maintenance service, the Group's customer service staff will call the customers regularly to enquire the quality of service provided and any needs for follow-up maintenance service. For Subcontractor C which carries out installation of electronic lock in Hong Kong, since the installation is always performed in the presence of the Group's technician(s) who install the biometrics identification solutions/devices, no additional quality control measure is required. For Subcontractor D, personnel assigned for the Group is required to comply with the rules, regulations and job responsibilities set out by the Group and will be supervised by the staff of the Group.

During the Track Record Period, the Group did not receive any material customer complaints on its product quality nor any legal claim on the Group.

COMPETITION

According to the Ipsos Report, where the Group provides biometrics devices with a selection of five technologies, the Group's competitors offer a smaller variety of biometrics devices. As explained in the subsection headed "Products and Services — Software" under this section, a principal contractor in construction sites is required to provide a device that is capable of retrieving the data stored in a registration card in electronic form under the Construction Workers Registration Ordinance. The Group has developed its "Time Expert" software since 2001. As the "Time Expert" software has been purchased and installed by many of the Group's construction company customers for years, the Directors consider it would be costly and problematic for its customers to switch to other access control solutions and software provided by its competitions with similar functions of employee management, time attendance, reporting and facilitating regulatory compliance. Although there is no licence requirement for the provision of access control solutions and software, the Directors believe that there is an entry barrier for new competitors to contract with the Group's customers for the access control solutions and software due to (i) the time and effort for competitors to develop a separate software solutions for attendance record management which requires investments in research and technical specialists; and (ii) the time, money and inconvenience for the Group's customers in Hong Kong to switch to new access control solutions and software in large scale. The Group recorded approximately HK\$38.7 million revenue from sales of biometrics identification devices (including other services) to construction industry customers in Hong Kong and Macau for the year ended 31 March 2017, accounting for approximately 63.1% of the total biometrics identification device distribution market contributed by the construction industry in 2016.

The biometrics identification device distribution industry in the PRC is relatively fragmented with more than 10,000 manufacturers, system integrators, distributors and retailers. Unlike the biometrics identification device distribution industry in Hong Kong, many biometrics identification device manufacturers in the PRC also act as distributors and retailers. Some large companies have the ability to manufacture and distribute biometrics identification devices while providing integrated biometric solutions to customers. In 2016, the Group recorded revenue of approximately HK\$6.8 million in the PRC, which accounted for approximately 0.1% of the total sales of biometrics identification devices in the PRC.

INTELLECTUAL PROPERTY RIGHTS

Investment in software programming is a significant aspect of the Group's business. For the past four years, the Group has invested over HK\$9.5 million in staff cost on software programming (not including the staff cost paid to Mr. Tony Yuen, the chairman of the Group, who has over 20 years of experience in software programming and product development). During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group incurred approximately HK\$2.6 million, HK\$2.7 million and HK\$1.0 million respectively in staff cost on software programming. Currently, approximately 18 modules have been developed for use in "Time Expert" for meeting different functions and needs of customers across a wide spectrum of industries. The scope and nature of the Group's software development activities includes the provision of (i) tailor-made modification solution in order to meet customers' specific operational/industrial requirements; (ii) tailor-made solution to meet

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specific projects of the Group's customers, such as a limousine tracking system and a patrol system; and (iii) self-initiated software development in order to cope with the recent development of the biometrics solutions industry such as launching new modules of "Time Expert".

The Group has successfully registered the trademarks of the Group's brand name "Solution Expert" and the Group's software "Time Expert" on 18 April 2017 and 22 August 2016 respectively, details of which are set out under the paragraph headed "Intellectual property rights of the Group" in Appendix IV to this prospectus. In addition, the Group has registered the domain names "sebiotec.com.hk", "sebiotec.com", "se-bio.com", "solutionexpert.com.hk" and "sebiotec.com.cn".

For protection of the Group's intellectual property rights, all of the Group's employees are required to sign a confidentiality agreement under which the relevant employees agree that at all times during the term of his/her employment with the relevant Group company and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the relevant Group company, or to disclose to any person, firm, corporation or other entity without written authorisation of the board of directors of the relevant Group company, any confidential information of the relevant Group company which he/she obtains or creates. The relevant employees further agree not to make copies of such confidential information except as authorised by the relevant Group company. Confidential information under such confidential agreement includes, among other things, proprietary information, technical data, trade secrets or know-how, including but not limited to, research, product plans, products, software, developments, inventions, processes, technology, designs, drawings, engineering, hardware configuration information and licenses disclosed to the relevant employee by the relevant Group company.

Since October 2015, the Group has put in place new standard terms with its customers for the sales or provision of software under which the Group owns the copyright in the software stated in the purchase order and it is unlawful to use such software without the Group's licence.

Details of the accounting treatment of the Group's intangible asset are set out in the paragraphs headed "Critical Accounting Policies and Estimates — Intangible asset (other than goodwill)" and "Analysis of Various Items from the Combined Statements of Financial Position — Intangible assets" under "Financial Information" in this prospectus.

INSURANCE

To cover risks in respect of its business, the Group maintains a range of insurance policies that are vital to the Group's operation including (i) contractors' all risks insurance policy in Hong Kong, covering the liability for accidental death, bodily injury, illness and accidental loss or damage to physical property in Hong Kong arising out from the performance of the repairing, installation and maintenance work; (ii) public liability insurance policy in Macau, covering the liability in respect of third party bodily injury and/or property damage arising from SE Macau's business in Macau; (iii) employee compensation insurance policy in Hong Kong, covering the liability for bodily injury or death under the Employees' Compensation Ordinance; (iv) office insurance in Hong Kong, covering the physical loss of or physical damage to or physical destruction of fixtures, fittings, hardware utensils in trade or similar property used at the premises for transacting business or stock in trade or building, or any part thereof at the Group's headquarters caused by or arising from an accident; and (v) property all risks insurance in the PRC, covering the physical loss, destruction or damage of the stock in trade held at the Group's property in Shenzhen.

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For the Group's major subcontractor, Subcontractor A is required to maintain general liability insurance covering all operations by or on behalf of Subcontractor A, and acts or omissions by Subcontractor A pursuant to its subcontractor agreements with SE Macau dated 1 November 2015, 1 July 2016 and July 2017.

The Group does and will continue to review these insurance policies annually to ensure that the coverage is adequate. During the Track Record Period, the Group's insurance expenses were approximately HK\$0.3 million, HK\$0.5 million and HK\$0.2 million for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively.

As at the Latest Practicable Date, the Group had not been the subject of any material insurance claims. The Directors believe that the coverage under these insurance policies is adequate for the Group's present operations.

REAL PROPERTIES

Leased properties

As at the Latest Practicable Date, the Group has three leased properties in Hong Kong and two leased properties in Shenzhen, the PRC.

The first property in Hong Kong which is used for workshop purpose is owned by Global Technology. The term of lease for the workshop property in Hong Kong lasts for three years from 1 June 2015 to 31 May 2018. As Global Technology is a connected person, the lease in respect of this leased property is a connected transaction. Further details of these leases are set out in "Connected Transactions" in this prospectus.

The second property in Hong Kong is used for office purpose which is owned by an Independent Third Party. The term of lease for the office property in Hong Kong lasts for two years from 1 October 2016 to 30 September 2018.

The third property in Hong Kong is provided as director quarters to Mr. Tony Yuen. The tenancy agreement for this property will expire on 30 September 2018. The provision of director quarters for Mr. Tony Yuen is part of Directors' remuneration under his director service agreement. Further details of the terms of the service agreement entered into with Mr. Tony Yuen are set out in "Statutory and General Information — Further Information about Directors, Senior Management and Substantial Shareholders — 3. Particulars of service agreements and letters of appointment" in Appendix IV to this prospectus.

According to the current tenancy agreement for the first property in Shenzhen, the term of lease for this property is five years from 15 January 2018 to 14 January 2023 and the premises shall be used for factory purpose.

According to the tenancy agreement for the second property in Shenzhen, the term of lease for this property is five years from 15 March 2018 to 14 March 2023 and the premises shall be used for factory purpose.

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As at 31 July 2017, none of the properties leased by the Group had a carrying amount of 15% or more of the Group's total assets. Thus, this prospectus is exempted from compliance with the requirements of Rules 8.01A and 8.01B of the GEM Listing Rules and the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus. The Directors confirm that none of the Group's property interests is individually material to the Group in terms of rental expenses.

EMPLOYEES

As at 31 July 2017, the Group employed 63 full-time employees. The following table sets forth the total number of employees by function:

Function	Hong Kong	The PRC	Total
Director	3	—	3
Finance & administration	12	5	17
Management information system	2	—	2
Logistics & warehouse	4	—	4
Operations & services	12	—	12
Projects & sales	9	2	11
Software development	4	5	9
Technical support	4	1	5
Total	<u>50</u>	<u>13</u>	<u>63</u>

Training

Senior staff of the Group provide on-the-job training to employees to enhance their industry, technical and product knowledge, as well as their familiarity with work safety standards. Some of the Group's staff have completed training provided by Supplier A and Supplier B.

Directors and staff remuneration

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group's staff costs, including Directors' emoluments, were approximately HK\$16.4 million, HK\$17.0 million and HK\$6.4 million respectively.

In order to attract and retain valuable employees, the Group reviews the performance of its employees annually and such review results will be taken into account while undergoing the annual salary review and promotion appraisal.

Welfare contribution

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the MPF

Scheme. Contributions are made in accordance with the Mandatory Provident Fund Schemes Ordinance and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

In the PRC, the Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and housing fund prescribed by the Regulations on the Administration of Housing Fund (住房公積金管理條例) which was promulgated and became effective on 3 April 1999, as amended on 24 March 2002. All PRC-based employees have the right to participate in the social insurance and housing provident fund schemes.

During the Track Record Period, the Group incurred approximately HK\$0.8 million, HK\$0.9 million and HK\$0.3 million on retirement benefits scheme contribution for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively.

Employee relationship

The Group believes that it has maintained good relationship with the employees. The management policies, working environment, development opportunities and employee benefits have contributed to the maintenance of good employee relations and employee retention. The Group did not experience any material labour disputes during the Track Record Period.

During the Track Record Period, the Group has not experienced any work stoppage or labour strike in the past and has not experienced any significant difficulty in recruiting or retaining qualified staff.

Share Option Scheme

The Group has conditionally adopted the Share Option Scheme under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in "Statutory and General Information — Share Option Scheme" in Appendix IV to this prospectus.

Licences and qualifications of employees

Pursuant to the Construction Workers Registration Ordinance and the Factories and Industries Undertakings Ordinance, all of the Group's employees who provide installation works at construction sites for customers are required to hold valid construction industry safety training certificate and construction workers registration card. For carrying out installation, maintenance and/or repairing of security devices such as surveillance systems, one has to hold a valid security personnel permit issued by the Police Licensing Office under the Security and Guarding Services Ordinance (Chapter 460). As at 31 July 2017, all staff of operations and services department who are required to perform installation works at construction sites possessed the relevant permit, registration card and/or certificate. The Group maintains a register which records the permit, registration card and/or training certificates held by the relevant employees.

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OCCUPATIONAL SAFETY AND HEALTH MEASURES

Pursuant to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. The Directors consider the Group has managed its business operations with due consideration to workplace safety and health concerns and comply with the relevant rules and regulations requirements relating to health and safety.

The Group has not committed any material non-compliance in relation to health and safety matters and the Group did not receive any improvement notice or suspension notice issued by the Commissioner for Labour against activity of workplace which may create an imminent hazard to its employees during the Track Record Period and up to the Latest Practicable Date.

The Group does not have formal protocols over social responsibility and environmental protection matters. It is the Directors' view that the nature of the Group's business operations does not impose any serious threats to these concerns.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, the Directors confirm that neither the Company nor any of its subsidiaries was aware of any litigation, arbitration proceedings or claim of material importance pending or threatened against the Company or any of its subsidiaries or any of the Directors that would have material adverse effect on the Group's financial condition or operation.

NON-COMPLIANCE

Save as disclosed below, the Directors confirm that the Group has obtained all the necessary permits, approvals and licences from relevant governmental bodies to operate the Group's existing business since its establishment.

Non-compliance with the Telecommunications Ordinance

SE R&D and SE Technology have failed to comply with certain regulatory requirements under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong):

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification actions taken/to be taken
SE R&D and SE Technology had failed to obtain licences from 2006 to 18 October 2015 under section 9 of the Telecommunications Ordinance for both import and export of certain products that are radiocommunications apparatus, namely the 2D face identification devices embedded with card readers and fingerprint identification devices embedded with card readers which involve transmission by radio waves (“Imported/Exported Products Involving Radio”). Under the Telecommunications (Telecommunications Apparatus) (Exemption from Licensing) Order (Chapter 106Z of the laws of Hong Kong) (the “Order”), there are a range of exemptions to the licensing requirements for possessing or using any apparatus for radiocommunications. However, most of the exemptions in the Order do not apply to import or export of products under section 9 of the Telecommunications Ordinance.	The Directors confirm that, before distributing biometrics identification solutions in Hong Kong in 2003, the management of the Group checked the laws and regulations that were relevant to the Group’s then business and obtained the required licences. It was not until 2006 that the Group started to import devices with built-in card reader function. At that time the management of the Group was only aware that it was not necessary to obtain licence for the sale and purchase of such products in Hong Kong mainly because those Imported/Exported Products Involving Radio met the technical criteria set out in Schedule 2 of the Order. However, they were not aware that these exemptions did not apply to the import and export of such Imported/Exported Products Involving Radio.	The Hong Kong Legal Counsel has advised that SE R&D and SE Technology, in the absence of such licences, were in breach of section 9 of the Telecommunications Ordinance and committed summary offences. However, the Hong Kong Legal Counsel is of the view that this is a procedural breach only. The maximum potential liability is a fine of HK\$25,000 per category of products. SE R&D and SE Technology have obtained the required licences since 19 October 2015. Since the time limit for the prosecution of such offence under the Magistrates Ordinance (Chapter. 227 of the Laws of Hong Kong) (the “Magistrates Ordinance”) is six months from the time when the matter of such complaint or information respectively arose, the prosecution of any breach of section 9 of the Telecommunications Ordinance before obtaining of the required licences is time-barred.	Each of SE R&D and SE Technology has obtained the respective Radio Dealers Licences (Unrestricted) from the OFCA which allow them to import and export radiocommunications transmitting apparatus. The said licences are valid from 19 October 2015 until 31 October 2018. The Hong Kong Legal Counsel opined that with the said licences in force, SE R&D and SE Technology are in compliance with section 9 of the Telecommunications Ordinance for import and/or export sale of the Imported/Exported Products Involving Radio. The cash flow from the sales of the Imported/Exported Products Involving Radio before obtaining the said licences on 19 October 2015 was approximately HK\$2.1 million, nil and nil for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 respectively.

Late filing of tax returns in Hong Kong

SE Engineering, SE R&D and SE Technology have failed to comply with certain regulatory requirements under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”):

Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification actions taken/to be taken
In 2014, SE R&D and SE Technology failed to make timely filings in relation to their tax returns for the year of assessment 2013/2014 pursuant to the Inland Revenue Ordinance. SE R&D and SE Technology were required to file its tax return for the year ended 31 March 2014 on 1 May 2014 but SE R&D and SE Technology filed it on 10 December 2014 and 5 January 2015 respectively. There was a delay of around 7 months and 8 months respectively. In 2015, SE Engineering, SE R&D and SE Technology failed to make timely filings in relation to their tax returns for the year of assessment 2014/2015 pursuant to the Inland Revenue Ordinance. SE Engineering, SE R&D and SE Technology were required to file their tax returns for the year ended 31 March 2015 on 1 May 2015. An extension of time was granted by the Inland Revenue Department to file the said tax returns on or before 16 November 2015. However, SE Engineering, SE R&D and SE Technology filed their estimated tax returns on 23 November 2015, and the final tax returns on 30 December 2015.	For 2014, there was a high turnover in the Group’s finance and administration department, so it took longer than expected to prepare the financial statements for the year ended 31 March 2014. For 2015, to prepare for Listing, in August 2015 the Group appointed World Link CPA Limited as its auditors and reporting accountants to audit (i) the financial statements of SE Engineering, SE R&D and SE Technology for the year ended 31 March 2015; and (ii) the combined financial information of the Group (including the subsidiaries) for the year ended 31 March 2014, 2015 and the six months ended 30 September 2015. As compared with the regular annual audit of the financial statements of SE Engineering, SE R&D and SE Technology, the audit of the combined financial information of the Group was significantly more complex and time-consuming. As the Inland Revenue Department requires that the audited combined financial information to be submitted together with the tax return, the audit of the financial statements of SE Engineering, SE R&D and SE Technology and the audit of the combined financial information of the Group are indispensable. For the above reasons, the audit of the financial statements of SE Engineering, SE R&D and SE Technology for the year ended 31 March 2015 was not completed in time, leading to the late filings of accounts and tax returns.	As advised by the Hong Kong Legal Counsel, for the late filing of tax return, SE Engineering, SE R&D and SE Technology would be liable to a fine of level 3 (HK\$5,001 to HK\$10,000) and a further fine of treble the amount of tax which would have been undercharged if such failure had not been detected. As the final assessed profits for the year of assessment 2013/2014 for SE Technology and SE R&D were HK\$118,880 and HK\$10,207 respectively, the potential further fine (in addition to the level 3 fine) against them would be HK\$356,640 and HK\$30,621 accordingly.	Audited financial statements of SE R&D and SE Technology for the year ended 31 March 2014 were submitted to the Inland Revenue Department together with the tax return on 10 December 2014 and 5 January 2015 respectively. The Directors confirm that the Group will pay all fines imposed on SE R&D and SE Technology in respect of their breaches of the Inland Revenue Ordinance if the Group receives the penalty demand for the late filing of the tax return. Pursuant to the Deed of Indemnity, Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View have given certain indemnities in favour of the Company (for itself and on behalf of other members of the Group) containing, among other things, any liabilities which are suffered by the Group in connection with the incidents of non-compliance as disclosed in this sub-section. For details please refer to the paragraph headed “Tax and other indemnities” in Appendix IV to this prospectus. In order to avoid delay in tax payment to the Inland Revenue Department, in November 2015 SE Engineering, SE R&D and SE Technology submitted their tax computation based on their management accounts for the year ended 31 March 2015 for paying their tax in advance of the finalisation of their audited financial statements. The Directors consider that the payment of such penalty fee would not have any material adverse impact on the Group’s financial performance and conditions. No provision is considered necessary in this connection.

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Details of the non-compliance incidents	Reasons for the non-compliance	Legal consequence including potential maximum penalties and other financial liabilities	Remedial/rectification actions taken/to be taken
		Regarding SE Engineering and SE Technology, the Inland Revenue Department has notified that no action would be taken against SE Engineering and SE Technology in respect of the late filings of tax returns for the year of assessment 2014/15. Regarding SE R&D, as the final assessed profits tax for the year of assessment 2014/2015 for SE R&D was HK\$64,503 (being HK\$22,900 + HK\$41,603), the potential maximum further fine of 3 times the assessed profits tax (in addition to the level 3 fine) against them would be HK\$193,509. However, according to the “<i>Penalty Policy for Assessing Additional Tax under Section 82A</i>” published on the Inland Revenue Department’s website, offences which do not involve wilful intent to evade tax are generally dealt with administratively by the imposition of monetary penalties in form of additional tax under section 82A of the IRO. As advised by the Legal Counsel, it is therefore more likely than not that the Inland Revenue Department would opt for imposition of additional tax under section 82A(1) of the IRO in lieu of prosecution against SE Technology and SE R&D, and the Hong Kong Legal Counsel is satisfied that the aforesaid non-compliances fall within the category of offences which will attract additional tax of 10% of the amount of the tax undercharged.	To prevent future non-compliance with tax laws, the Group employed Mr. Chou Chiu Ho as the Group’s company secretary in November 2015 to oversee these filing and compliance matters.

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In order to continuously improve the Group's corporate governance and prevent recurrence of non-compliances in the future, the Group has adopted or will adopt the following measures:

— in respect of the regulatory filing

The newly appointed company secretary of the Group, Mr. Chou, will prepare a regulatory filing calendar for each Group company, setting out the dates to prepare and file (if applicable) (i) audited financial statements; (ii) tax return; (iii) annual return; and (iv) annual general meeting before the start of every financial year. Such regulatory filing calendar is approved by a director of the group subsidiary. The company secretary shall review the regulatory filing calendar quarterly to consider necessary changes. This internal control was effective from 1 September 2015. Mr. Chou has over 10 years' experience in auditing and accounting and was/is the head of corporate services and the company secretary of two companies listed in Hong Kong. He was also admitted as a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

— in respect of licences

The Group has agreed to engage the Hong Kong Legal Counsel upon Listing to advise the Group on the applicable laws and regulations in Hong Kong in relation to its business.

Having reviewed the enhanced internal control measures including the qualification and experience of the Group's new company secretary and external Hong Kong legal advisers, the Directors are of the view, and the Sponsor concurs, that they are adequate and effective under the GEM Listing Rules.

In regards the licence required under section 9 of the Telecommunications Ordinance, the documents required (other than the annual licence fee) in support of the application are merely a copy of business registration certificate and a copy of certificate of incorporation (in case of a limited company). There is no requirement on the experience/qualification/capability of the licence applicant or its personnel. The licences were granted and sent to SE Engineering, SE R&D and SE Technology within five days after the applications had been submitted. Although the Group was in breach of the requirement to obtain such licence for import and export of those Imported/Exported Products Involving Radio, the Hong Kong Legal Counsel considers this is a procedural breach only.

In respect of the breach of section 9 of the Telecommunications Ordinance, in light of the fact that (i) there is no requirement on the experience/qualification/capability of the licence applicant or its personnel and the Hong Kong Legal Counsel considers this a procedural breach only; (ii) before distributing biometrics identification solutions in Hong Kong, the management of the Group checked the laws and regulations that are relevant to the Group's business and SE Engineering obtained the required licences, namely, type III security company licence from the Security and Guarding Services; (iii) the Group's Imported/Exported Products Involving Radio in fact satisfy certain exemptions and technical criteria as set out in the Order, the management of the Group therefore misunderstood that the exemptions also extend to section 9 of the Telecommunications Ordinance; (iv) there is no material adverse impact on the Group's operating and financial position of the breach of Telecommunications Ordinance; and (v) the Group has agreed to appoint the Hong Kong Legal Counsel to advise the Group on compliance with

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applicable laws and regulations in Hong Kong, the Directors are of the view, and the Sponsor concurs, that (i) the Directors are willing and able to operate the Group's business in a compliant manner, (ii) the Directors are competent to manage the Group's business in a law abiding manner and (iii) they are suitable to act as directors of a listed company as required under Rules 5.01 and 5.02 of the GEM Listing Rules.

It is intended that the Hong Kong Legal Counsel will conduct a half-yearly review with the Group's management on the Group's compliance with the relevant laws and regulations. The Hong Kong Legal Counsel will also advise the Directors on the development of the laws which are relevant to the Group's business.

In respect of all of the Group's historical material non-compliance incidents they have the following characteristics: (i) no wrongdoings were wilfully committed; (ii) no dishonesty on the part of the Directors was involved; (iii) all the non-compliances were not serious in nature; (iv) no material penalty or financial impact was caused; and (v) most of the historical non-compliance incidents merely involved inadvertent oversight or misunderstanding of the laws, which can be and has been overcome by strengthening internal controls and engaging suitable personnel, professionals or advisers. Based on the above, and the Group's rectification and internal control measures to prevent future recurrence of the non-compliance incidents, the Directors are of the view, and the Sponsor concurs, that the Directors are suitable to be directors under Rules 5.01 and 5.02 of the GEM Listing Rules and that the Group is suitable for listing under Rule 11.06 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

The Group previously had certain related party transactions during the Track Record Period, the details of which are set out under note 36(a) to the Accountants' Report set out in Appendix I to this prospectus. Save for the following rental expenses, all such related party transactions would have been discontinued before the Listing:

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Four months ended 31 July 2017 HK\$'000
Exempt continuing connected transaction			
— Rental expenses paid to Global Technology	900	900	300

EXEMPT CONTINUING CONNECTED TRANSACTION

Rental expenses paid to Global Technology

During the Track Record Period, SE Technology and Global Technology have entered into the following tenancy agreement (the “**Tenancy Agreement**”) in respect of the premises stated below (the “**Premises**”) which are expected to continue after Listing:

Date of Tenancy Agreement	Address of the Premises	Rental	Term of the tenancy
17 September 2015	Unit A on 12/F, Mai Sik Industrial Building, Nos. 1–11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	HK\$75,000 per month	1 June 2015 to 31 May 2018

The rental referred to above in respect of the Tenancy Agreement is inclusive of government rent and rates.

As at the Latest Practicable Date, Global Technology was owned as to 28.0%, 28.0%, 5.0% and 9.0% by Mr. Jackson Yuen, Mr. Tony Yuen, Ms. Pauline Yuen and Ms. Danielle Sun respectively. Mr. Jackson Yuen is the elder brother of Ms. Pauline Yuen and Mr. Tony Yuen who are Controlling Shareholders and executive Directors of the Company. Since Mr. Tony Yuen, Ms. Pauline Yuen and Mr. Jackson Yuen are “family members” as defined in Chapter 20 of the GEM Listing Rules and they together owned over 50% of the total issued share capital of Global Technology, Global Technology is an associate of Mr. Tony Yuen and Ms. Pauline Yuen pursuant to Rule 20.10(2)(b) of the GEM Listing Rules. Therefore, the Tenancy Agreement entered into between Global Technology as the landlord and SE Technology as the tenant constitutes a connected transaction under the GEM Listing Rules.

The Premises had been used by the Group as workshop during the Track Record Period.

By entering into the Tenancy Agreement, the Group will be able to continue to lease the Premises after the Listing to conduct its business operations without the need to find and relocate to alternative places.

CONNECTED TRANSACTIONS

GEM Listing Rules Implications

Since the Tenancy Agreement is expected to continue after the Listing, the entering of the Tenancy Agreement will constitute continuing connected transaction of the Group under the GEM Listing Rules.

The aggregate rental paid by the Group to Global Technology for leasing of the Premises for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 was HK\$900,000, HK\$900,000 and HK\$300,000 respectively. The aggregate annual rental payable by the Group to Global Technology under the Tenancy Agreement will be HK\$900,000 (the “**Rental Annual Cap**”). On such basis, each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Rental Annual Cap on an annual basis is less than 5% (and the annual consideration is less than HK\$3,000,000). Accordingly, the Tenancy Agreement will be exempted from the reporting, announcement, annual review and independent Shareholders’ approval requirements pursuant to Rule 20.74 of the GEM Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) confirm that the Tenancy Agreement and the continuing connected transaction thereunder was arrived at after arm’s length negotiations, and taking into consideration of the view from Access Partner Consultancy & Appraisals Limited (the “**Property Valuer**”), an independent property valuer, that the rents under the Tenancy Agreement are at market rates. The terms of the Tenancy Agreement including the Rental Annual Cap are on normal commercial terms or better to the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board is responsible for the management and conduct of the Group's business. The Board currently consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

The table below sets out the information in respect of members of the Board:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and members of senior management
Mr. YUEN Kwok Wai, Tony (阮國偉)	47	Chairman, executive Director and the chief executive officer of the Group	Major decision-making, overall strategic planning and day-to-day business management	28 June 1999	16 October 2015	Brother of Ms. Pauline Yuen; spouse of Ms. Jazzy Wong; brother-in-law of Mr. Joseph Yam
Ms. YUEN Mei Ling, Pauline (阮美玲)	49	Executive Director	Overseeing corporate policies and human resources	28 May 2007	16 October 2015	Sister of Mr. Tony Yuen; sister-in-law of Mr. Joseph Yam and Ms. Jazzy Wong
Ms. SUN Ngai Chu, Danielle (孫毅珠)	54	Executive Director	Overseeing the sales and marketing functions of the Group	6 November 2005	6 November 2015	Nil
Mr. YAM Chiu Fan, Joseph (任超凡)	63	Non-executive Director	Providing market and industry knowledge in assisting strategic planning of the Group	6 November 2015	6 November 2015	Brother-in-law of Mr. Tony Yuen, Ms. Pauline Yuen and Ms. Jazzy Wong
Mr. HUI Man Ho, Ivan (許文浩)	39	Independent non-executive Director	Overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group	18 January 2018	18 January 2018	Nil
Mr. CHUNG Billy (鍾定鎔)	43	Independent non-executive Director	Overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group	18 January 2018	18 January 2018	Nil
Mr. MUI Pak Kuen (梅栢權)	56	Independent non-executive Director	Overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group	18 January 2018	18 January 2018	Nil

DIRECTORS AND SENIOR MANAGEMENT

The Group's senior management team has the following members:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Relationship with other Directors and senior management
Ms. WONG Ka Man (王嘉敏)	39	Senior manager	Responsible for sales and marketing	1 October 2000	Spouse of Mr. Tony Yuen; sister-in-law of Ms. Pauline Yuen and Mr. Joseph Yam
Mr. CHAN Gar Chun, Andrea (陳嘉駿)	40	Senior manager	Responsible for software development	30 July 2007	Nil
Mr. CHOU Chiu Ho (周昭何)	36	Company secretary and financial controller	Overseeing the Group's financial reporting, financial planning, financial control and company secretarial matters	1 September 2015	Nil

Executive Directors

Mr. Yuen Kwok Wai, Tony (阮國偉), aged 47, is one of the founders of the Group, the chairman of the Board, an executive Director, the chief executive officer of the Group and one of the Controlling Shareholders. He joined the Group as a director on 28 June 1999 and was re-designated as an executive Director on 6 November 2015. He is responsible for major decision-making, overall strategic planning and day-to-day business management. Mr. Tony Yuen is a director of Power Truth, SE Technology, SE Engineering, SE R&D, and SE Macau. He is also the chairman, general manager and legal representative of SE Shenzhen. In addition, he is a director and a 85% shareholder of Delighting View.

Mr. Tony Yuen has over 20 years of experience in software programming. He obtained a bachelor of engineering degree from the University of Hong Kong in January 1995. Before he joined the Group, he was the head of information systems department of PENTAX group in Hong Kong from 1996 to 1998, and was responsible for developing networking and computer solution systems in different computerisation projects. Mr. Tony Yuen has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tony Yuen is a brother of Ms. Pauline Yuen (one of the executive Directors and Controlling Shareholders), the spouse of Ms. Jazzy Wong (a member of the senior management) and a brother-in-law of Mr. Joseph Yam (the non-executive Director). Other than disclosed in this prospectus, Mr. Tony Yuen is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("CG Code") in Appendix 15 to the GEM Listing Rules. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tony Yuen is the chairman and the chief executive officer of the Company. In the view that Mr. Tony Yuen is one of the founders of the Group and has been operating and managing the Group since June 1999, the Board believes that it is in the best interest of the Group to have Mr. Tony Yuen taking up both roles for effective management and business development. Therefore the Board considers that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

DIRECTORS AND SENIOR MANAGEMENT

Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices complies with the CG Code.

Ms. Yuen Mei Ling, Pauline (阮美玲), aged 49, is an executive Director and one of the Controlling Shareholders. She was re-designated as an executive Director on 6 November 2015 and is mainly responsible for overseeing corporate policies and human resources of the Group. She is a director of Power Truth, SE Shenzhen and SE Macau. In addition, she is also a director and a 15% shareholder of Delighting View.

Ms. Pauline Yuen has over 22 years of experience in accounting, during which she has also obtained over 9 years of experience in finance and management. She obtained a bachelor of science degree in business administration and accounting from the California State University in the United States in August 1992. She worked in Wing On Department Stores (Hong Kong) Limited from November 1992 to April 1994, with her last position being assistant accountant. She then worked in China Online (Bermuda) Limited, from April 1994 to September 1999, with her last position being senior accountant. She was the accounting manager of Tricom CyberWorld Holdings Limited from September 1999 to December 2000. From September 2001 to January 2006, she worked in Hing Wah Lung Oil & Rice Limited with her last position being the accounting and administration manager. She was employed by Pacific Century Matrix (HK) Limited from February 2006 to May 2007 with her last position being manager, finance and administration and was mainly responsible for management of treasury function and finance and accounting operations.

Ms. Pauline Yuen joined the Group in May 2007 as manager in finance and administration department and was subsequently transferred to senior manager in human resources and administration in May 2015. She was responsible for overseeing human resources activities.

Ms. Pauline Yuen has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. Pauline Yuen is the sister of Mr. Tony Yuen (one of the executive Directors and Controlling Shareholders) and a sister-in-law of Mr. Joseph Yam (the non-executive Director) and Ms. Jazzy Wong (a member of the senior management). Other than disclosed in this prospectus, Ms. Pauline Yuen is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Sun Ngai Chu, Danielle (孫毅珠), aged 54, was appointed as an executive Director on 6 November 2015. Ms. Sun is mainly responsible for overseeing the sales and marketing functions of the Group. She is also a director of Power Truth.

Ms. Danielle Sun has over 10 years of treasury experience in catering industry. From August 2000 to June 2007 (the date of deregistration), she was a director of Boss Development Limited, a company engaged in catering business, and was responsible for cash and transaction management. From May 2004 to December 2015 (the date of deregistration), Ms. Danielle Sun was the director of Hung Kee Enterprise Limited and was responsible for managing its property portfolio and assisting the board in making property investment decisions. She has also been the treasurer of Wonderland Palace Restaurant on part time basis since August 2011 and has been responsible for cash and transaction management. From April 2004 to January 2011, Ms. Danielle Sun was employed as the treasurer of Zi Xing Xuan (紫星軒), a Chinese restaurant, and was responsible for cash and transaction management.

DIRECTORS AND SENIOR MANAGEMENT

Since joining the Group, Ms. Danielle Sun has been in charge of the overall sales and marketing of the Group by leading the sales department to formulate and execute the Group's sales and marketing strategies. She is also personally responsible for the sales to the catering sector.

Ms. Danielle Sun has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Non-executive Director

Mr. Yam Chiu Fan, Joseph (任超凡), aged 63, was appointed as an executive Director on 6 November 2015 and was re-designated as a non-executive Director on 1 April 2017. He is mainly responsible for providing market and industry knowledge in assisting strategic planning of the Group.

Mr. Joseph Yam dedicated his career to the Hong Kong Police Force for over 32 years. He began as a probationary inspector in 1977, and was subsequently promoted to senior inspector in 1987 and to chief inspector in 1990. In 2004, he was further promoted to superintendent, the rank he held until his retirement in December 2009. From June 2010 to the Latest Practicable Date, Mr. Joseph Yam was employed by Hong Yip Service Company Ltd., a subsidiary of Sun Hung Kai Properties Ltd., as head of security and was responsible for the overall management, business development, profitability and operations of its security department. Mr. Joseph Yam has been appointed as an independent non-executive director of Sing On Holdings Limited (a company listed on GEM, stock code: 8352), a company providing concrete demolition works in Hong Kong and Macau, since 22 November 2016. He has also been appointed as an independent non-executive director of China Bio Cassava Holdings Limited (a company listed on GEM, stock code: 8129), a company principally engaged in the computer software and embedded systems development, sales and licensing of software and systems, development of biotech renewable energy and provision of financing services, since 21 April 2017.

Save as disclosed, Mr. Joseph Yam has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Joseph Yam is the brother-in-law of Mr. Tony Yuen (one of the executive Directors and Controlling Shareholders), Ms. Jazzy Wong (a member of the senior management) and Ms. Pauline Yuen (one of the executive Directors and Controlling Shareholders). Other than disclosed in this prospectus, Mr. Joseph Yam is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Independent Non-executive Directors

Mr. Mui Pak Kuen (梅栢權), aged 56, was appointed as an independent non-executive Director on 18 January 2018. He is responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Mui has over 30 years of experience in information technology and telecommunication industry. He first joined COL Limited as an analyst programmer from July 1986 to January 1990. From February 1990 to June 1992, he worked as a consultant in Logica Limited. Mr. Mui was a senior consultant in Hutchison Paging Limited from October 1992 to March 1994 and was mainly responsible for liaising with business partners in application specification. He then worked in Hutchison

DIRECTORS AND SENIOR MANAGEMENT

Telecommunications (Hong Kong) Limited from April 1994 to October 1997 as the information technology manager for the fixed network operation and was mainly responsible for leading the fixed network IT project team for product evaluation, development and implementation. Mr. Mui was then employed by PricewaterhouseCoopers from August 1998 to December 1999 as a supervising consultant. He later worked as the assistant vice-president in business development in PCCW Limited from January 2000 to July 2011. From July 2011 to January 2017, he was the head of Greater China business development in Tiaxa International Company Limited.

Mr. Mui obtained a diploma in business computer studies from the Faculty of Business in Lingnan College Hong Kong in November 1986. He subsequently obtained a master of economics degree in business administration from Zhongshan University in the PRC in January 1998 and further obtained a bachelor of computing degree from the University of South Australia in September 2004.

Mr. Mui has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chung Billy (鍾定縉), aged 43, was appointed as an independent non-executive Director on 18 January 2018. He is responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Chung obtained a bachelor of arts degree in chartered accountancy studies from The University of Waterloo, Canada in June 1999. He further obtained a master of business administration degree from the University of Toronto, Canada in June 2004. Mr. Chung also obtained a diploma in investigative and forensic accounting from the University of Toronto Mississauga in 2013 and completed a business analytics certificate programme, which is an online distance learning course, from the Northwestern University, the United States, in August 2016.

Mr. Chung has over 8 years of management experience. Mr. Chung worked as an assistant manager in H.C. Watt & Company Limited in Hong Kong from August 2005 to July 2006 and was mainly responsible for assisting in the initial public offering auditing. In June 2007, Mr. Chung was appointed as an independent non-executive director of Culturecom Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0343), and was subsequently redesignated as an executive director in November 2007. He resigned from Culturecom Holdings Limited in September 2016. From August 2013 to January 2017, Mr. Chung was the senior advisor of WTM Company Limited, a software development company in Hong Kong, and was responsible for advising on business strategies and development. Since November 2016, Mr. Chung has been the director of business development of GoAnimate Hong Kong Limited and is responsible for its business development activities in the Asia-Pacific region.

Mr. Chung was admitted as an accredited chartered accountant under The Institute of Chartered Accountants of Ontario, Canada in November 2001 and re-designated as a chartered professional accountant in November 2012. He was also admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in June 2010. Mr. Chung is further granted as the certified fraud examiner by the Association of Certified Fraud Examiners, the United States, in May 2016. He was also certified by the American Institute of Certified Public Accountants, the United States, to be certified in financial forensics (CFF) in August 2016.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, Mr. Chung has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Hui Man Ho, Ivan (許文浩), aged 39, was appointed as an independent non-executive Director on 18 January 2018. He is responsible for overseeing the management independently and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Hui obtained a bachelor of business degree in banking and finance from Monash University, Australia in April 2003 and further obtained two master's degrees in applied finance and practising accounting from Monash University, Australia in November 2004 and November 2007 respectively. He was admitted as a member of CPA Australia in July 2009.

Mr. Hui has over 12 years of experience in corporate finance, financial management and accounting. He worked in audit field for over 5 years. He joined Grant Thornton, an international audit firm, from November 2006 to May 2010 and was responsible for professional engagements including but not limited to annual audits, interim reviews, initial public offerings and very substantial acquisition transactions. From July 2010 to December 2013, he joined a corporate consultancy company as a consultant to provide professional services including but not limited to preparing statutory documents and ensuring the documents comply with the HKFRSs. Mr. Hui was employed by Zhongda International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0909) (“Zhongda”) as an assistant financial controller from July 2010 to July 2017 and was mainly responsible for preparing group consolidation financial statements, announcements and circulars and also participating in financial matters of various projects. Mr. Hui has been an independent non-executive director of Upbest Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0335), a company principally engaged in provision of financial services, since July 2012. Since August 2017, Mr. Hui has been employed by Huge China Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0428) as a financial controller and company secretary and is responsible for handling accounting, finance and company secretarial matters.

Trading of the shares of Zhongda has been suspended since 5 September 2011 in light of a dispute between Zhongda and two existing/former executive directors in relation to the suspected misappropriation of funds of RMB150 million.

In light of Zhongda's business operation and financial positions, the Stock Exchange placed Zhongda into the first and second delisting stages on 24 September 2015 and 25 April 2016 respectively. Before expiry of the second delisting stage, on 6 October 2016, Zhongda submitted a resumption proposal to the Stock Exchange. On 28 October 2016, the Stock Exchange considered the resumption proposal not viable and therefore decided to place Zhongda into the third delisting stage under Practice Note 17 to The Rules Governing the Listing of Securities of the Stock Exchange.

On 7 November 2016 and on 18 January 2017 respectively, Zhongda sought a review by the Listing Committee and the Listing (Review) Committee of the Stock Exchange on the delisting decision. On 12 January 2017, the decision to place Zhongda into the third delisting stage was upheld by the Listing Committee and the Listing (Review) Committee. Zhongda will have a final six months to

DIRECTORS AND SENIOR MANAGEMENT

provide a viable resumption proposal to address several issues. If no viable resumption proposal is received by the end of the third delisting stage (i.e. 17 November 2017), Zhongda's listing will be cancelled.

Save as disclosed above, Mr. Hui has not held any other directorships in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Mr. Tony Yuen had been a director of the following companies which were incorporated in Hong Kong prior to their dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
Cybermart Technology Limited	Investment holding	19 December 2014	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance ^(Note 1)	Cessation of business
Glory Capital Technology Limited (景駿科技有限公司)	Investment holding	6 March 2009	Dissolved by deregistration by the Registrar of Companies in Hong Kong as a defunct company pursuant to Section 291AA(9) of the Predecessor Companies Ordinance ^(Note 1)	Cessation of business

Mr. Tony Yuen confirmed that the above companies were solvent at the time of them being dissolved.

Ms. Danielle Sun had been a director of the following companies which were incorporated in Hong Kong prior to their dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
Hung Kee Enterprise Limited (熊基企業有限公司)	Property holding	11 December 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance ^(Note 1)	Cessation of business

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
Boss Development Limited (昌亨發展有限公司)	Catering	29 June 2007	Dissolved by deregistration by the Registrar of Companies in Hong Kong as a defunct company pursuant to Section 291AA(9) of the Predecessor Companies Ordinance ^(Note 1)	Cessation of business
Capisces Investment Limited	Logistics	29 July 2008	Dissolved by compulsory winding up ^(Note 2)	Insolvent and unable to pay its debt

Save as Capisces Investment Limited which has been dissolved by compulsory winding up, Ms. Danielle Sun confirmed that the above companies were solvent at the time of them being dissolved.

Mr. Mui Pak Kuen had been a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
Acota Consultants Limited (沛威顧問有限公司)	IT services	13 July 2001	Dissolved by deregistration by the Registrar of Companies in Hong Kong as a defunct company pursuant to Section 291AA(9) of the Predecessor Companies Ordinance ^(Note 1)	Cessation of business

Mr. Mui confirmed that the above company was solvent at the time of it being dissolved.

Mr. Chung Billy had been a director of the following companies which were incorporated in Hong Kong prior to their dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
China Mahjong Super League Group Limited (中國麻雀超級聯賽集團有限公司)	Promotion of Mahjong activities	13 February 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance ^(Note 1)	Cessation of business

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason(s) for dissolution
China Super Mahjong League Group Limited (中國超級麻雀聯賽集團有限公司)	Promotion of Mahjong activities	27 February 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance <i>(Note 1)</i>	Cessation of business
Chinese 2000 Online (Hong Kong) Limited (中文2000在線(香港)有限公司)	Development of Chinese language operating system	10 July 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance <i>(Note 1)</i>	Cessation of business
Chinfosys Limited (文傳智科有限公司)	App development	30 July 2010	Dissolved by deregistration by the Registrar of Companies in Hong Kong as a defunct company pursuant to Section 291AA(9) of the Predecessor Companies Ordinance <i>(Note 1)</i>	Cessation of business
Culture.Com Technology (China) Limited (文化傳信科技(中國)有限公司)	E-publication	16 October 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance <i>(Note 1)</i>	Cessation of business
Ganna Limited	Publication	2 April 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance <i>(Note 1)</i>	Cessation of business
Sniic Technology Limited (安全數碼科技有限公司)	Development of Chinese language operating system	17 April 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to Section 750 of the Companies Ordinance <i>(Note 1)</i>	Cessation of business

Mr. Chung confirmed that the above companies were solvent at the time of them being dissolved.

DIRECTORS AND SENIOR MANAGEMENT

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance/section 750 of the Companies Ordinance, an application for deregistration can only be made by the company, a director of the company or a member of the company if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
2. Capisces Investment Limited (“**Capisces**”) was incorporated in Hong Kong on 11 June 1999 with limited liability and was principally engaged in logistics business. Capisces was indebted to an independent third party in the sum of HK\$44,860.00. Since Capisces was insolvent and unable to pay such debts because of financial difficulty, compulsory winding up proceedings were initiated against Capisces upon a petition filed by the aforesaid independent third party to the court on 28 July 2004 seeking a court order to wind up Capisces. No prosecution and director disqualification action has been taken against the directors of Capisces by the Official Receiver’s Office. Based on the documents filed with the court and available for inspection, to the best of the Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Ms. Sun involved in the dissolution of Capisces.

Save as disclosed above, each of the Directors confirms with respect to himself/herself that: (i) he/she does not hold any other position in the Company or any of its subsidiaries; (ii) save as disclosed in the section “C. Further information about Directors, senior management and substantial shareholders” in Appendix IV to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) 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

Ms. Wong Ka Man, Jazzy (王嘉敏), aged 39, is the senior manager of SE Engineering and is responsible for assisting Ms. Danielle Sun in conducting the Group’s sales and marketing. She is also a director of SE Shenzhen. Ms. Jazzy Wong obtained a bachelor of arts degree in computing from The Hong Kong Polytechnic University in November 2004. Prior to joining the Group, she worked at South China Media Limited as web developer in the online department from July 2000 to September 2000. She joined SE Engineering in October 2000. Ms. Jazzy Wong has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. Jazzy Wong is the spouse of Mr. Tony Yuen (one of the executive Directors and Controlling Shareholders), and a sister-in-law of Ms. Pauline Yuen (one of the executive Directors and Controlling Shareholders) and Mr. Joseph Yam (the non-executive Director). Other than disclosed in this prospectus, Ms. Jazzy Wong is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Chan Gar Chun, Andrea (陳嘉駿), aged 40, is the senior manager of SE Engineering and is responsible for software development. He joined the Group as a system analyst in July 2007 and was subsequently promoted as senior manager of software development department in November 2015. In June 2000, Mr. Chan obtained a bachelor of science degree from McMaster University, Canada. In July 2009, he obtained a master of science degree in information systems management from the University of Greenwich, the United Kingdom. Prior to joining the Group, Mr. Chan was an analyst programmer at Quesco Information Services Limited from August 2000 to October 2004 and was mainly responsible for

DIRECTORS AND SENIOR MANAGEMENT

system design, programming and documentation. From October 2004 to July 2007, Mr. Chan was an analyst programmer of TCL Multimedia Technology Holdings Limited and was responsible for system design, analysis and implementation. Mr. Chan has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chou Chiu Ho (周昭何), aged 36, is the company secretary and financial controller of the Group, and is responsible for overseeing the Group's financial reporting, financial planning, financial control and company secretarial matters. He first joined as the company secretary of SE Technology in September 2015 and was subsequently promoted as the company secretary and financial controller in November 2016. He was appointed as the company secretary of the Company in November 2015. Mr. Chou is a director and a 15% shareholder of Super Arena, which holds 29.25% of the issued share capital of the Company immediately after completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and Share Offer (assuming the Offer Size Adjustment Option is not exercised).

Mr. Chou has over 10 years of experience in accounting and auditing. Prior to joining the Group, Mr. Chou worked in an accounting firm from September 2003 to January 2006, with his last position being semi-senior auditor. He then joined PricewaterhouseCoopers from January 2006 to December 2010. From January 2011 to March 2012, Mr. Chou worked as the head of corporate services of Beijing Sports and Entertainment Industry Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1803) (formerly known as ASR Logistics Holdings Limited) ("**Beijing Sports**"). Since April 2013, Mr. Chou has been working as the financial controller and company secretary of Millennium Pacific Group Holdings Limited (a company listed on GEM, stock code: 8147) ("**MP Group**"). Mr. Chou resigned as the financial controller and the company secretary of MP Group in September 2014 and March 2017 respectively. Mr. Chou also served as the chief financial officer of HF Financial Group Limited (currently known as HF Finance Group (China) Limited) (and subsequently transferred to HF Management (China) Limited) from January 2015 to July 2016. Since September 2017, Mr. Chou has been the director of Archon Prime Strategic Investment (Group) Limited.

Mr. Chou obtained a bachelor of arts degree in accountancy from the Hong Kong Polytechnic University in November 2003. Mr. Chou was admitted as a member of the Hong Kong Institute of Certified Public Accountant in November 2011. He was also admitted as a member of the Association of Chartered Certified Accountants in November 2010 and subsequently a fellow member in November 2015.

Mr. Chou has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Chou is the company secretary of the Company. For details of Mr. Chou, please refer to the paragraph headed "Senior management" in this section.

COMPLIANCE OFFICER

Ms. Pauline Yuen is the compliance officer of the Group. For details of Ms. Pauline Yuen, please refer to the paragraph headed "Directors — Executive Directors" in this section.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 18 January 2018 in compliance with Rule 5.28 of the GEM Listing Rules, which consists three members who are Mr. Chung Billy, Mr. Hui Man Ho, Ivan, and Mr. Mui Pak Kuen. Mr. Chung Billy is the chairman. The Audit Committee has adopted written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Among other things, the primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review of the financial statements and material advice in respect of financial reporting; and supervision of the risk management and internal control procedures of the Company.

Remuneration Committee

The Company established the Remuneration Committee on 18 January 2018 in compliance with paragraph B1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of four members who are Ms. Pauline Yuen, Mr. Chung Billy, Mr. Hui Man Ho, Ivan, and Mr. Mui Pak Kuen. Mr. Mui Pak Kuen is the chairman. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration, and ensure that none of the Directors determine their own remuneration.

Nomination Committee

The Company established the Nomination Committee on 18 January 2018. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; assess the competence and ability of nominees for the Board, oversee the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of three members who are Mr. Hui Man Ho, Ivan, Mr. Chung Billy and Mr. Mui Pak Kuen. Mr. Hui Man Ho, Ivan is the chairman.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with the Group. Each of the executive Directors and the non-executive Director has respectively entered into a service contract with the Company for an initial fixed term of three years with effect from the Listing Date, which will continue thereafter until terminated by not less than three months' written notice or payment in lieu to the other party. Further details of the terms of the service agreements entered into with the Directors are set out in the paragraph headed "C. Further information about Directors, senior management and substantial shareholders — Particulars of service agreements and letters of appointment" in Appendix IV in this prospectus.

The Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the business operation. The Board regularly reviews and determines the remuneration and compensation packages of its

DIRECTORS AND SENIOR MANAGEMENT

Directors and senior management, by making reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme.

Each of the executive Directors and the non-executive Director will receive a fee which is subject to an annual adjustment at a rate to be determined at the discretion of the Board. The aggregate amounts of fees, salaries, housing allowances, other allowances and benefits in kind paid by the Group to the Directors for each of the two years ended 31 March 2017 were HK\$2.5 million and HK\$2.4 million respectively.

The aggregate amounts of contributions to retirement benefits scheme paid by the Group to the Directors for each of the two years ended 31 March 2017 were HK\$47,000 and HK\$60,000 respectively.

Save as disclosed above, no other payments have been made or are payable by the Company to the Directors in respect of the Track Record Period. The Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors will be approximately HK\$1.9 million for the year ending 31 March 2018.

The aggregate amounts of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by the Group to the five highest paid individuals for the two years ended 31 March 2017 were approximately HK\$4.6 million and HK\$4.2 million respectively.

The five highest paid individuals of the Group during the Track Record Period include two Directors. Details of remunerations paid to the remaining three highest paid individuals of the Group, which are individually below HK\$1 million, are disclosed in the Accountants' Report set out in Appendix I in this prospectus.

During the Track Record Period, no remuneration was paid by the Group to, or received by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

The Group has adopted incentive bonus schemes during the Track Record Period and will continue to maintain these schemes seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high calibre. Staff are offered basic salaries commensurate with market levels. For additional information on the Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 13 to the combined financial statements, in the Accountants' Report set out in Appendix I in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital as the compliance adviser. The compliance adviser will advise the Company on the following matters pursuant to Rule 6A.23 of the GEM Listing Rules:

- (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 including share issues and share repurchases;
- (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares, or possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules on the distribution of the annual report in respect of the financial results of the second full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately prior to and following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, the following persons and entities individually and/or collectively will have interests and/or short positions in the Shares or 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

Name of Shareholder	Nature of interests	Shares held as at the Latest Practicable Date		Shares held immediately prior to the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue		Shares held immediately following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue	
		Number	Percentage (approx.)	Number	Percentage (approx.)	Number	Percentage (approx.)
Delighting View	Beneficial owner	1,220 (long position)	61.0	1,220 (long position)	61.0	366,000,000 (long position)	45.75
Mr. Tony Yuen	Interest in a controlled corporation ^(Note 1)	1,220 (long position)	61.0	1,220 (long position)	61.0	366,000,000 (long position)	45.75
Ms. Pauline Yuen	Interest in a controlled corporation ^(Note 1)	1,220 (long position)	61.0	1,220 (long position)	61.0	366,000,000 (long position)	45.75
Super Arena	Beneficial owner	780 (long position)	39.0	780 (long position)	39.0	234,000,000 (long position)	29.25
Mr. Kor	Interest in a controlled corporation ^(Note 2)	780 (long position)	39.0	780 (long position)	39.0	234,000,000 (long position)	29.25

Notes:

1. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.
2. As Super Arena is beneficially owned as to approximately 82.35% and 70% by Mr. Kor immediately prior to and following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue, Mr. Kor is deemed to be interested in all the Shares held by Super Arena under the SFO.

Save as disclosed above, the Directors are not aware of any persons and entities who will, immediately prior to and following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, have interests and/or short positions in the Shares or 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the full conversion of the Pre-IPO Convertible Bonds, the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, the Controlling Shareholders, namely Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View, will be interested in 45.75% of the Company's entire issued share capital.

As at the Latest Practicable Date, Mr. Tony Yuen and Ms. Pauline Yuen owned 28% and 5% respectively of the total issued share capital of Global Technology. Global Technology is the owner of a property located at Unit A, 12/F, Mai Sik Industrial Building, 1–11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong. The aforesaid premises have been leased to the Group for workshop use. Please refer to the paragraph headed “Connected transactions — Exempt continuing connected transaction” in this prospectus for details of the tenancy agreement.

During the Track Record Period, save as disclosed in this prospectus, the Group did not have any business dealings with the Controlling Shareholders or the companies associated with or controlled by the Controlling Shareholders and there was no overlapping of business between the Group and the Controlling Shareholders.

The Controlling Shareholders, the substantial shareholders and the Directors have confirmed that apart from the business of the Group, none of them and their respective close associates is interested in any business which competes, or is likely to compete, directly or indirectly, with the business of the Group and would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that the Group is capable of carrying on its business independently from the Controlling Shareholders after Listing.

Management independence

The management and operational decisions of the Group are made by the Board and senior management. The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The only overlapping directors between the Group and the Controlling Shareholders are Mr. Tony Yuen and Ms. Pauline Yuen who are also the directors of Delighting View. The Directors consider that the Board and senior management will function independently from the Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of the Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) 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) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association; and
- (c) save for Ms. Jazzy Wong (who is the spouse of Mr. Tony Yuen and sister-in-law of Ms. Pauline Yuen), the senior management members are independent from the Controlling Shareholders. The Group has established its own management, finance, human resources and administration divisions which are responsible for daily operations of the Group.

Operational independence

As set out in “Connected Transactions” in this prospectus, the Group leased a property from Global Technology. Global Technology was owned as to 28%, 28%, 5%, 23%, 7% and 9% by Mr. Jackson Yuen, Mr. Tony Yuen, Ms. Pauline Yuen, Mr. Wong Wing Fai Winfred, Mr. Louie Lok Bill and Ms. Danielle Sun as at the Latest Practicable Date respectively. Among these shareholders of Global Technology, Mr. Tony Yuen and Ms. Pauline Yuen are Controlling Shareholders and executive Directors. Since Mr. Tony Yuen and Ms. Pauline Yuen together with Mr. Jackson Yuen owned over 50% of the total issued share capital of Global Technology, Global Technology is also an associate of Mr. Tony Yuen and Ms. Pauline Yuen. The Directors believe that there is no legal or significant operational impediment for the Group to lease other property in the market if the Group ceases to lease the above property from Controlling Shareholders and their close associates.

The Group does not share operation team, facilities and equipment with the Controlling Shareholders and their close associates. The Group has an independent management team to handle its day-to-day operations. The Group is also in possession of all relevant licences necessary to carry on and operate its business and the Group has sufficient workforce to operate independently from the Controlling Shareholders and their close associates. The Directors are of the view that there is no operational dependence by the Group on the Controlling Shareholders.

Financial independence

The Group has an independent financial system and makes financial decisions according to its own business needs. As at 31 July 2017, the Group had certain banking facilities that were secured by (i) registered security over deposit of SE Technology and SE Engineering, (ii) unlimited guarantee from Mr. Tony Yuen and (iii) an unlimited guarantee among SE Technology and SE Engineering. The guarantee from Mr. Tony Yuen will be released before/upon Listing. The Directors confirm that the Group will not rely on the Controlling Shareholders for financing after Listing as the Group expects that its working capital will be funded by the operating income, the net proceeds of the Share Offer and bank borrowings.

DEED OF NON-COMPETITION

In connection with the Share Offer, each of the Controlling Shareholders (collectively, the “**Covenantors**” and each a “**Covenantor**”) has entered into the Deed of Non-competition with the Company pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company (for itself and as trustee for its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), such Covenantor shall not, and shall procure that neither their respective close associates nor companies controlled by the Covenantors (other than the members of the Group) will, (i) directly or indirectly, be interested in or involved in or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of any member of the Group)) in any form of business, including but not limited to any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the Group’s business in any area in which the Group carries or may carry on business (the “**Restricted Activity**”) from time to time; nor provide support in any form to persons other than the members of the Group to engage in business that constitutes or may constitute direct or indirect competition with the businesses that the Group is currently and from time to time carrying on; (ii) solicit any existing employee of the Group for employment by him/her/it or his/her/its close associates or companies controlled by him/her/it; and (iii) without the consent of the Company, make use of any information pertaining to the business of the Group which may have come to his/her/its knowledge for any purpose of engaging, investing or participating in any Restricted Activity.

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Activity provided that, such shares are listed on a recognised stock exchange and: (a) the total number of the shares held by the Covenantors and/or their respective close associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (b) the Covenantors and/or their respective close associates are not entitled to appoint a majority of the directors or management of that company.

Under the Deed of Non-competition, the Covenantors further undertake to the Company the following:

- (i) in the event the Covenantors or any of their close associates (other than members of the Group) are given any business opportunity that is or may involve direct or indirect competition with the business of the Group, the Covenantors shall refer the business opportunity to the Group as soon as practicable and shall assist the Group to obtain such business opportunity in the terms being offered to any of the Covenantors or their close associates;
- (ii) during the term of the Deed of Non-competition, each of the Covenantors agrees to indemnify and keep indemnified the Company and other members of the Group against any loss or liability suffered by the Company and/or other members of the Group arising out of any breach of any of the Covenantor’s undertakings under the Deed of Non-competition, including any costs and expenses (including legal expenses) incurred as a result of such breach provided that the indemnity contained in this paragraph shall be without prejudice to any of the other rights and remedies of the Company or any members of the Group in relation to any such breach;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) the Covenantors shall allow the independent non-executive Directors to review, at least on an annual basis, the compliance with the terms of the Deed of Non-competition by the Covenantors, and the options, pre-emptive rights or first rights of refusals provided by the Covenantors on their existing or future competing business;
- (iv) the decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition (including without limitation the exercise of options or first rights of refusal, if any) shall be disclosed either through the annual report of the Company, or by way of announcements published by the Company to the public;
- (v) any new business opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with the Covenantors will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on these matters. In the event any new business opportunities presented by or otherwise arising in connection with any of the Covenantors are turned down by the Group according to the Deed of Non-competition, the Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of the Company;
- (vi) the annual report of the Company will include the views and decisions, with basis, of the independent non-executive Directors of the Company on whether to take up any new opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with the Covenantors that have been referred to the independent non-executive Directors;
- (vii) the Covenantors shall, upon demand, promptly provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (viii) the Covenantors shall make an annual declaration on compliance with the Deed of Non-competition in the annual report of the Company; and
- (ix) when any business opportunity is referred to any members of the Group by any Covenantors, the independent non-executive Directors will consider such opportunity on the various aspects including viability and profitability. If any Covenantor is materially interested in such opportunity, then that Covenantor who has referred such business opportunity to the member of the Group shall not be counted in the quorum and must abstain from voting on matters relating to such business opportunity when such business opportunity is being considered at the board meeting.

The Covenantors shall be entitled to pursue business opportunity that is or may involve direct or indirect competition with the businesses of the Group only after such business opportunity is being turned down by the Group as set out in paragraph (v) above.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Where the Covenantors and/or their close associates (other than the Group) have acquired any business investment or interest in any entity relating to the Restricted Activity pursuant to the Deed of Non-competition, the relevant Covenantors and/or their close associates (other than the Group) shall provide the Group with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such interest in Restricted Activity under the same circumstances. Where the independent board committee of the Company decides to waive the Pre-emptive Right by way of written notice, the relevant Covenantors and/or their close associates (other than the Group) may offer to sell such business investment or interest in Restricted Activity to other third parties on such terms which are no more favourable than those made available to the Group. In deciding whether to exercise the above Pre-emptive Right, the Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to the Group.

For the above purpose, the “**Relevant Period**” means the period commencing on the Listing Date and expiring on the earlier of (i) the date upon which the Shares cease to be listed on the Stock Exchange; or (ii) the date upon which the Covenantors and their close associates cease to own 30% or more of the then issued share capital of the Company directly or indirectly.

On 30 November 2015, Mr. Jackson Yuen has also entered into a deed of non-competition with the Company, pursuant to which Mr. Jackson Yuen has made similar undertakings to the Company as those given by the Controlling Shareholders under the Deed of Non-competition.

UNDERTAKINGS

Undertakings under the Public Offer Underwriting Agreement

Each of the Company and the Controlling Shareholders has given certain undertakings in respect of the Shares to the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters, details of which are set out under the paragraph headed “Underwriting — Undertakings pursuant to the Public Offer Underwriting Agreement” in this prospectus.

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 if a Director has material interest in a contract or arrangement with the Company, the Director shall declare the nature of such interest at the earliest meeting of the Board at which it is practicable for him/her to do so. Moreover, subject to certain exceptions, the Articles provide that a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associates has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he be counted in the quorum for that resolution);
- (2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (3) the 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 non-competition undertaking;
- (4) the Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of the Company;
- (5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;
- (6) any new business opportunities under the Deed of Non-competition and all other matters determined by the Board as having a potential conflict of interest with the Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. In the event any new business opportunities presented by or otherwise arising in connection with any of the Controlling Shareholders are turned down by the Group according to the Deed of Non-competition, the Group will disclose the decision, as well as the basis for such decision in its annual report or interim report;
- (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 non-competition undertaking or connected transaction(s) at the cost of the Company; and
- (8) the annual report will include the views and decisions, with bases, of the independent non-executive Directors on whether to take up any new opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with the Controlling Shareholders that have been referred to the independent non-executive Directors.

Further, any transaction that is proposed between the Group and the 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.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective close associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

DEED OF INDEMNITY

Pursuant to the Deed of Indemnity, Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View have given certain indemnities in favour of the Company (for itself and on behalf of other members of the Group) containing, among other things, the tax and other indemnities referred to in the paragraph headed "Tax and other indemnities" in Appendix IV to this prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVES

The Group's business objectives are to further its growth in existing business by strengthening marketing capabilities and expanding product portfolio through enhancing software development, in order to further enlarge its market share in Hong Kong and Macau and to become one of the active biometrics identification solutions providers in the PRC.

BUSINESS STRATEGIES

1. Expanding the business in the Southern China

In order to (i) further extend the Group's strength and experience related to biometrics identification solutions from Hong Kong market to the PRC market; and (ii) capture the potential growth in the PRC market, the Group intends to strengthen its position and to become an active biometric identification solution provider in the Southern China by taking the following key steps:

(i) Launch of affordable locally manufactured fingerprint identification devices

The Group's PRC subsidiary, SE Shenzhen, is principally engaged in the sale of biometrics identification devices and the provision of application software and related after-sales services. The Directors do not expect a change in SE Shenzhen's scope of services after Listing and in the foreseeable future. During the Track Record Period, SE Shenzhen has been importing fingerprint identification devices from overseas suppliers through inter-company sales with SE R&D and selling them in the PRC. The Group marketed these products mainly to system integrators and resellers. Due to the relatively high procurement cost of sourcing from overseas suppliers, these products are charged at a relatively high price. The Group's fingerprint identification devices are sold at RMB2,700 to RMB14,000 (approximately HK\$3,000 to HK\$16,000). According to the Ipsos Report, the price range of fingerprint identification devices in the PRC is RMB100 to RMB10,000 and low-end biometrics identification devices account for the majority of the PRC market. Based on the interviews with industry experts conducted by Ipsos, lower priced devices are generally sold for approximately RMB100 to RMB5,000 per unit. Additionally, lower priced devices are generally designed for a limited number of users, storing information of only approximately 500 to 1,000 biometric users. On the other hand, the current fingerprint identification devices sold by the Group have user capacity between 5,000 and 500,000 biometric users. Higher priced devices, however, are primarily sourced from Japan, Republic of Korea, Europe and the United States with higher quality, longer durability, larger storage capacity and fewer errors. The products of key brands, such as Supplier B, are generally used in financial institutions, government departments and large manufacturing plants for access control by a larger number of users. Demand for biometrics identification devices in the PRC is primarily driven by the low-end market due to the fact that the high end biometrics identification devices are too expensive for many Chinese customers. For instance, approximately 70% to 80% of biometric products focus on the low-end market while only 20% to 30% of biometrics identification devices are targeted at the high-end market. According to the Ipsos Report, biometrics identification devices with selling prices below RMB2,000 is the main stream of the low-end market in the PRC which accounted for more than 50% of the market share of the low-end market in the PRC, while biometrics identification devices with selling prices between RMB1,000 to RMB2,000 accounted for about 25% of the market share of the low-end market in the PRC.

BUSINESS OBJECTIVES AND STRATEGIES

As such, the Group plans to make use of its competitive advantages, experience and network with overseas suppliers to expand its business in the PRC market by launching affordable locally manufactured fingerprint identification devices so as to capture the abovementioned low-end market in the PRC. The target unit price of this new series of fingerprint identification devices is expected to be between RMB1,000 to RMB2,000 which is within the price range of the main stream of the low-end market in the PRC and is lower than the selling prices of the Group's current biometric identification products. The Directors believe that the relevant experience and expertise of the management from operation in Hong Kong can be applied to manage its intended expansion in the PRC. By using its brand "Solution Expert" to launch the locally manufactured fingerprint identification devices, the Directors believe that the brand itself will bring confidence to its potential customers. Since the Group's products sold in the PRC during the Track Record Period did not bear the Group's own brand, the Directors also believe that the brand awareness will also be strengthened by capturing the low-end market in the PRC. As a result, the Group's PRC market share is expected to be increased.

From the years of experience of operating in the PRC market, the Group noted a considerable demand for biometrics identification products with reasonable quality at a more competitive and affordable price. The Group conducted surveys on its major customers in 2017 regarding the demand for the locally manufactured fingerprint identification devices with a target capacity of less than 1,000 users, and the majority of the Group's major customers in the PRC indicated that they are interested in such biometrics identification products. Potential customers for such products mainly include office buildings of small and medium-sized enterprises, factories and construction sites. As advised by the Directors, based on the current product list provided by Supplier B, Supplier B does not provide fingerprint identification device with about 1,000 user capacity, and the lowest capacity of its fingerprint identification device is 5,000 users. Therefore, given the market potential, the Group's in-depth understanding and expertise in the biometrics identification technology, the Group decides to meet such product demand by launching a new series of fingerprint identification devices equipped with tailored-made functions of "Time Expert". The core component of the new devices will be Supplier B's fingerprint sensors which comprise fingerprint authentication algorithm designed by Supplier B. The fingerprint sensors themselves to be provided by Supplier B do not determine the level of user capacity of the new devices. It is expected that the new devices will have a lower capacity of 1,000 biometric users only. The Group will engage a local experienced ODM of biometrics identification devices to design and manufacture the biometrics identification devices according to the Group's specifications. The Group will consider and select the ODM based on its experience, pricing, quality of work and flexibility such as the minimum purchase order and production lead time. According to the Ipsos Report, biometrics identification devices in the low-end market in the PRC are mainly made and produced in the PRC, as such, in order to maintain quality of the Group's products and to differentiate its new devices from existing biometrics identification devices in the low-end market in the PRC, the Group will procure the fingerprint sensors from Supplier B due to (i) the long term established relationship between the Group and Supplier B; and (ii) the quality of Supplier B's products. The Group will pass these core components to the ODM for further assembly. The ODM will source other necessary features to complete the production process.

There are mainly two reasons for the Group to engage an ODM instead of sourcing the new devices from a third party supplier. Firstly, the Directors believe that the new devices bearing the Group's own brand and equipped with Supplier B's fingerprint sensors can enhance the Group's

BUSINESS OBJECTIVES AND STRATEGIES

brand awareness and market recognition, maintain its product quality and differentiate the Group from other competitors in the low-end market in the PRC, given that Supplier B ranked top in a global fingerprint identification algorithm competition for fingerprint matching (FMISO) category in 2010 and has received certification by the Federal Bureau of Investigation in the US.

Secondly, the Directors consider that engaging an experienced ODM to manufacture the new devices will achieve saving in procurement costs and higher profit margin, without compromising the quality of the fingerprint sensor of Supplier B. Since the locally manufactured fingerprint identification devices with a user capacity of 1,000 users will be designed and manufactured by a local experienced ODM while only fingerprint sensors will be procured from Supplier B, the procurement cost from Supplier B will be lower than the cost of procuring the whole fingerprint identification device from Supplier B. Based on the current quotation of Supplier B, if the Group offers the whole fingerprint identification device with the lowest possible capacity of 5,000 users and sells it at a price of around HK\$1,600, the gross profit margin is expected to be less than 10.0% only. However, if the Group only sources Supplier B's sensors and engages the ODM to manufacture and source other components of the new device with a capacity of 1,000 users, the total procurement costs are expected to be not more than HK\$1,000 after taking into account the depreciation of one-off fixed assets expenses and indirect labour costs at break-even points based on around 6,500 units, and the Group would be able to achieve an expected gross profit margin of approximately 36.2% at the selling price of around HK\$1,600 per unit. If production quantity increases, the procurement costs would be even lower and the gross profit margin would increase further. According to Supplier B's quotation, the unit cost of the fingerprint sensors is less than RMB300 each which accounted for approximately 30.2% of the total unit cost of the locally manufactured fingerprint identification devices. With every 10.0% increase in the cost of the sensors, the Directors expect the gross profit margin will be decreased by approximately 1.9%. Apart from the fingerprint sensors, all the other components will be locally procured through the selected ODM. As such, the Directors believe that the Group will save procurement cost through sourcing components from different suppliers and benefit from the lower cost of the locally manufactured fingerprint identification devices comparing with that of the fingerprint identification devices imported from overseas suppliers, therefore will be able to offer a lower selling price to potential customers.

In 2017, the Group passed two fingerprint sensors procured from Supplier B to an ODM for testing purpose. The Group targets to start developing different models of locally manufactured fingerprint identification devices in the second quarter of 2018. The first and second models are expected to be launched in the fourth quarter of 2018, another four models to follow in the third quarter of 2019 and further six models to follow in the third quarter of 2020. The Group expects that different models will have core functions of fingerprint identification with different combination of features available for potential customers to meet their operational need, including display, keypad, smart card, waterproof and dust proof. Assuming the locally manufactured fingerprint identification devices will be launched in accordance with the above time frame with a sales volume of around 6,500 units, the Directors expect that for the year ending 31 March 2019 the Group will incur (i) additional cost of approximately HK\$6.4 million in cost of sales which includes (a) approximately HK\$4.5 million of recurring expenses of cost of inventories sold; (b) approximately HK\$1.8 million of recurring expenses of payroll and rental; (c) approximately HK\$0.1 million of depreciation in relation to one-off design cost of approximately HK\$136,000 and mold cost of approximately HK\$170,000 for each model; and (ii) additional administrative and

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selling expenses of approximately HK\$3.6 million which mainly include (a) approximately HK\$0.2 million of depreciation of office decoration which is one-off in nature; and (b) approximately HK\$3.4 million of recurring expenses of payroll, rental and sales and marketing cost. Assuming the Group will achieve an average gross profit margin of 36.2%, which is comparable to several comparable companies engaging in the trading of biometric identification devices and security products, and based on the quoted unit purchase costs as currently indicated by the Group's suppliers, the Group will break even at the sales volume of around 6,500 units around first half year of 2020. The Group expects that (i) based on different models to be launched starting from 2018, the Group will establish a product portfolio to fulfill different customers' operational needs; (ii) advertisement and exhibition will be launched and held in the PRC from 2018, the Group's network and brand will be strengthened in the low-end market in the PRC; and (iii) the Group's operational structure will be substantially completed, given that its services centers in the Southern China will be fully set up and all the required personnel for different departments will have been recruited. Assuming the sales volume of around 6,500 units, the gross profit of the Group will increase by approximately HK\$3.6 million and the staff cost included in the cost of sales will increase by approximately 30.3% comparing with that of the year ended 31 March 2017. If the Group achieves gross profit margin higher than 36.2% or sells more than around 6,500 units of fingerprint identification devices, the Group will generate more profit assuming the cost structure remains the same.

The Group plans to rent a new office including a showroom in Guangzhou, Southern China with an expected size of at least 300 square meters. The showroom will mainly be used for (i) products display; (ii) solution demonstration and presentation to potential customers; and (iii) training for customers regarding usage of fingerprint identification devices and software. The new office in Guangzhou will be mainly used as (i) warehouse; (ii) operation support and after-sales services center; and (iii) back office for various departments including software development department, project and sales department, logistic and warehouse department and finance administration department. The service scope of the new office in Guangzhou in relation to the operation support and after-sales services will include (i) following up after sales services; (ii) providing training to customers and distributors; (iii) conducting on-site visit and simple checking; (iv) collecting damaged devices and returning to ODM or suppliers for repair; and (v) remote diagnostic service by telephone support. These operation support and after-sales services will be provided by distributors and customer services team of the Guangzhou office.

The Group also plans to expand the software development department to meet the increasing demand arising from the launch of new products and update of existing "Time Expert" software to compete in the PRC market.

BUSINESS OBJECTIVES AND STRATEGIES

The following table sets forth the number of additional personnel the Group plans to hire and their roles and functions for the launch of affordable locally manufactured fingerprint identification devices in Southern China:

Department	Number of additional personnel	Roles	Functions
Software development	3	System analyst, senior programmer and programmer	Develop a standard version of “Time Expert” specifically for the PRC market: (i) to update different functions of “Time Expert” to meet the requirements in the PRC market, for example, to comply with local labour law; and (ii) to integrate “Time Expert” with the locally manufactured fingerprint identification devices
Projects and sales	11	Customer services: team head and staff	Customer services: (i) to follow up after sales service; (ii) to provide training to customers and distributors; (iii) to conduct on site visit and simple checking; (iv) to collect damaged devices and return to ODM or suppliers for repair; and (v) to provide remote diagnostic service by telephone support
		Sales team: sales manager and salespersons	General: (i) to plan and execute marketing strategies such as participating in exhibitions and trade fairs; (ii) to contact and negotiate with customers; (iii) to follow up the progress of customer projects; and (iv) to follow up after sales service

The Directors are of the view that the Group’s business strategy to launch affordable fingerprint identification devices in the PRC commensurates with the Group’s historical development due to the following reasons:

- according to the Ipsos Report, the biometrics identification device distribution industry was growing at a much higher rate in the PRC market than in the Hong Kong and Macau market. From 2011 to 2016, the total revenue of the biometrics identification device distribution industry in Hong Kong and Macau grew at a CAGR of approximately 9.5%, while the sales value of biometrics identification devices in the PRC increased considerably from HK\$2,808.8 million in 2011 to HK\$11,551.7 million in 2016, representing a CAGR of 32.7%. In the forecast period until 2020, the sales value of biometrics identification devices in the PRC is expected to increase further from HK\$13,993.7 million in 2017 to HK\$23,992.7 million in 2020, at a CAGR of 19.7%;

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- for the year ended 31 March 2017, approximately 78.1%, 11.1% and 10.8% of the Group's revenue was generated from Hong Kong, Macau and the PRC respectively while approximately 83.5%, 5.5% and 11.0% of the Group's revenue was generated from Hong Kong, Macau and the PRC for the four months ended 31 July 2017, respectively. According to the Ipsos Report, in 2016 the Group already had the highest market share of 11.0% in terms of biometrics identification device distribution value in Hong Kong and Macau, surpassing the second competitor which had market share of 4.0%. Meanwhile, in 2016, the Group's market share in the biometrics identification device distribution industry in the PRC is around 0.1%. The Group's business has been focusing on the Hong Kong and Macau market so far with limited room for further growth;
- the Group is a provider of biometrics identification solutions. Historically the Group has purchased and resold biometrics identification devices that could readily be sourced from manufacturers as part of its solutions. The Group's business strategy to purchase fingerprint identification devices from an experienced ODM, without involving the Group in the actual design and manufacturing of the products, is consistent with the Group's business model and know-how and experience of the Group's management. There is no fundamental change in the Group's business model; and
- with over a decade's experience in the provision of biometrics identification solutions, the management of the Group considers that the provision of quality products is the key to the Group's success. Recognising that the selling price of fingerprint identification devices is generally lower in the PRC as indicated in the Ipsos Report, a more affordable fingerprint identification device will enable the Group to expand its business to cater for the demand and expectation of different customers. By launching a new product, the Group could expand its business and market share in the low-end market without reducing the price of its existing high-end products, which would otherwise harm the Group's profit margin.

(ii) Enhancement of the quality of after-sales services and strengthening of the operation support

During the Track Record Period, total sales to system integrators and resellers accounted for over 90.0% of total sales to the Group's PRC customers. The Directors consider that the demand for maintenance services from system integrators and resellers was minimal. However, since the target customers of the locally manufactured fingerprint identification devices as described above are end-users in Southern China instead of resellers and system integrators in the PRC, the Group expects that after-sales services will be required from end-users in Southern China who will apply the devices in office buildings of small and medium-sized enterprises, factories and construction sites. The Group will benefit from (i) the pricing strategy mentioned above; (ii) product differentiation with high quality devices being manufactured using Supplier B's fingerprint sensor; and (iii) participating in different trade shows to understand the demand from PRC end-users. In 2017, SE Shenzhen was recognised as one of the most influential security brands in the PRC by China Public Security ("CPS中安網") and China Public Security Publisher ("中國公共安全雜誌社"). In addition, the Group has registered to participate in trainings and trade shows in 2018 in seven cities in the PRC for about 7 days. In order to strengthen the Group's after-sales service to

BUSINESS OBJECTIVES AND STRATEGIES

PRC end-users in Southern China, the Group expects to incur an average monthly operation cost of approximately HK\$77,000 in aggregate to (i) set up three customer services centers in Changning district of Shanghai, Furong district of Changsha and Huli district of Xiamen respectively with approximately more than 50 square meters each; (ii) hire two technicians for each of the customer services centers; and (iii) purchase three motor vehicles for after sales services. The Directors believe that the Group will benefit from (i) the recent economic development in Shanghai, Hunan and Fujian given that these regions are within top 10 PRC provinces by GDP within Southern China in 2016; and (ii) the further expansion in Southern China where SE Shenzhen is located. In addition, the Directors consider that the Group could take advantages of the well-developed transportation infrastructures in these regions and expand its business and provide services such as training to customers and on-site visit in the nearby provinces/cities within a reasonable time. The Directors consider that this geographical advantage will help the Group to widen its sales network in Southern China.

The service scope of the customer services centres in Changning, Furong and Huli districts will include providing services to customers and distributors in cities within Zhejiang Province and Jiangsu Province, Hunan Province and Fujian Province, respectively, including (i) following up after sales services; (ii) providing training to customers and distributors; (iii) conducting on site visit and simple checking; (iv) collecting damaged devices and returning to ODM or suppliers for repair; and (v) providing remote diagnostic services by telephone support.

The logistics & warehouse department and the finance & administration department will also be expanded for better inventory management, quality control and back office support. The following table sets forth the number of additional personnel the Group plans to hire and their roles and functions for the enhancement of the quality of after-sales services and strengthening of the operation support:

Department	Number of additional personnel	Roles	Functions
Logistics and warehouse	4	Staff	(i) to manage and review inventory level; (ii) to arrange logistic of goods delivery; (iii) to procure and coordinate with suppliers and ODM; and (iv) to test product quality
Finance and administration	3	Manager and staff	(i) to handle payment, receipt and invoicing; (ii) to handle financial reporting and budgeting; (iii) to monitor regulatory filing deadline; (iv) to perform human resources management, such as payroll calculation and staff recruitment; and (v) to perform other general administrative function

2. Improving the information technology system

The Directors believe that as the Group grows in terms of sales volume and diversification of software development, there are increasing needs for a consolidated ERP system with RFID technology which combines the data processing of various functions including procurement, inventory control, order processing and accounting, and which will further enhance the Group's physical control of inventories so as to achieve an effective and convenient inventory control system. Existing computer equipment

BUSINESS OBJECTIVES AND STRATEGIES

including telephone and video conference system will be also upgraded in order to be compatible with the ERP system and expanded business. It is the Directors' view that the Group will benefit from the higher efficiency, flexibility, accuracy and timeliness in budgeting, inventory control, order processing and financial reporting if such ERP system with RFID technology is installed. The Group will therefore invest in an ERP system with RFID technology, recruit suitable personnel to operate, purchase computer equipment and server and integrate the ERP system into operation. In addition, the Group will develop a customer relation management (CRM) system which is an application to be used on mobile devices in order to enhance service quality. The Group will be able to (i) provide more instant and effective communication with customers; and (ii) enhance internal efficiency by instantly report to or record in ERP system after delivery, installation or maintenance services by using the CRM system.

3. Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software

The Group has started to develop its biometrics identification solutions, including "Time Expert", in 2001. Up to 2017, the Group has developed about 18 modules of "Time Expert" with different functions to meet various operational needs from customers in different industries such as construction, property management and financial institution.

During the Track Record Period, the Group generated service income of approximately HK\$0.4 million, HK\$1.6 million and HK\$1.0 million respectively from providing solutions services of tailor-made modification solutions, and tailor-made solutions such as a limousine management system provided to customers in the casino industry and a patrol system to a system integrator. The Directors believe that with (i) the in-depth understanding of the business operation of the Group's customers; (ii) the Group's experience in the provision of solutions and quality services; and (iii) the changes in the customers' industry, business and regulatory development from time to time, there would be a demand from customers for tailor-made modification solutions and tailor-made solutions other than standard solutions of "Time Expert". Besides, a survey conducted by the Group on its major customers in 2017 also shows that majority of the Group's major customers were interested in (i) tailor-made modification solutions and tailor-made solutions; and (ii) a comprehensive human resources management module.

Based on the interviews with the Group's competitors in the PRC conducted by Ipsos, it shows that they also have similar software development center and R&D expansion initiatives, and they intend to further enhance their services or provide more customerization services to clients by devoting more resources on R&D. In view of the market size of biometrics device distribution industry in the PRC which is approximately 22 times of that in Hong Kong according to the Ipsos Report, the Directors consider that the current 9-person software development department is unlikely to meet the future challenge. Hence, the Group intends to set up a new and separate software development center in Zhuhai, the PRC (the "**New Center**") with an expected size of at least 300 square meters to take advantage of the lower staff cost in the PRC. The Group plans to employ one project manager to oversee three software development teams with eight employees each, which includes one team head, three senior software programmers and four junior software programmers. The software development teams will be responsible for supporting the software development of the Group in order to meet the customers' need in Hong Kong, Macau and PRC. The New Centre will be operated by three software development teams with different functions and will be separately responsible for (i) satisfying customers' requests from Hong Kong, Macau and the PRC for tailor-made modification of "Time Expert" and other software development; (ii) developing more functions and modules of "Time Expert"

BUSINESS OBJECTIVES AND STRATEGIES

in order to maintain competitive strength; and (iii) researching and expanding the application of its biometrics devices/solutions for different industries in order to enrich and diversify the Group's solution portfolio.

The Directors also consider the business need for having three separate software development teams as follows:

- (i) *satisfying customers' requests from Hong Kong, Macau and the PRC for tailor-made modification of "Time Expert" and other software development*

During the Track Record Period, the software development department was highly utilised to support its daily operation, such as providing maintenance of "Time Expert" and after sales services to the customers. As such, the software development department has limited human resources to handle every customer's request for "Time Expert" modification and integration or other software development services. The Directors have noticed customers' request for "Time Expert" modification and integration or other software development services during the Track Record Period and consider that more human resources are required for the Group to expand and to meet the customers' demand.

- (ii) *developing more function and modules of "Time Expert" in order to maintain competitive strength*

"Time Expert" modification and integration services are provided to fulfill the latest industry, business and regulatory development of the Group's customers. Different functions of "Time Expert" can be tailor-made in order to meet customers' particular operational requirement. In addition, "Time Expert" can be integrated with customers' own system in order to streamline their business operation. For about 17 years from 2001, as the Group has developed about 18 modules of "Time Expert", the Directors consider that in order to meet the targets of developing additional 10 modules in the coming years, the Group needs to expand its software development department. The Directors believe that "Time Expert" can be further developed with more functions and modules such as payroll calculation and mobile application version of "Time Expert".

- (iii) *researching and expanding the application of biometrics devices/solutions for different industries in order to enrich and diversify the Group's solution portfolio*

Apart from access control and attendance management, the Directors believe that biometrics identification solutions can also be extended to other aspects such as marketing and mobile devices. According to the Ipsos Report, manufacturing industry is one of the major segments in the PRC market and the Directors view this as an opportunity for the Group to expand the application of "Time Expert". Since the Group does not have many customers in this industry, the Directors consider that more support will be required from the software development team to develop tailor-made modification to target customers in the manufacturing industry.

Roles and functions of the manpower of the software development teams

In order to design and execute software development efficiently, each of the software development teams will be basically comprised of one team head, one IT system architect, one senior software programmer, one junior software programmer, one database programmer and one graphic designer. Their principal roles and qualification are disclosed below. Since mobile application is a recent trend in the industry, each team will also have at least one junior android programmer. On top of the mentioned

BUSINESS OBJECTIVES AND STRATEGIES

basic manpower required for the software development teams, different software teams will be comprised with different specialists in order to cope with the specific function of each software development team.

For the software development team which is specifically responsible for satisfying requests of customers from Hong Kong, Macau and the PRC on tailor-made modification of “Time Expert” and other software development, work related to coding will be relatively higher than the other two software development teams that an additional senior software programmer will be hired.

In order to develop mobile version of “Time Expert” and its various modules, additional senior android programmer will be hired for the software development team which is specifically responsible for developing more functions and modules of “Time Expert”.

Since a brand new system will be developed by the software development team which is specifically responsible for researching and expanding the application of the Group’s biometrics devices/ solutions in different industries, a business analyst will be hired for planning and preparing the detailed user requirement of the new system and executing user acceptance test.

The following table sets forth the positions, roles and qualifications of the personnel that the Group plans to hire for the new and separate software development center in the PRC:

Position	Principal role	Qualification
Project manager	● Manage and communicate with team heads in relation to the scope, budgeted cost and time schedules of projects ● Review and monitor project status ● Approach potential customers and promote the Group’s software portfolio	● Bachelor degree in computer science or related discipline ● Over 8 years of work experience in project management ● Experienced in complex IT solutions
Team head	● Prepare scope, budgeted cost and time schedules of projects ● Perform risk assessment on projects ● Resolve technical issues and provide technical guidance to other software engineers ● Communicate with customers for the software design and their requirement ● Responsible for overall software design and analysis	● Bachelor degree in computer science or related discipline ● Over 8 years of IT work experience and 2 years of project management experience

BUSINESS OBJECTIVES AND STRATEGIES

Position	Principal role	Qualification
Senior software programmers	<i>IT system architect</i>	● Bachelor degree in computer science or related discipline ● Over 5 years of experience in software programming and familiar with various software development tools
	● Design and implement system architecture mainly include front end and back end system ● Assist team head in software design and analysis	
	<i>Software programmer</i>	
	● Develop and test software solutions independently ● Responsible for process software deployment	
Junior software programmers	<i>Android programmer</i>	● Bachelor degree in computer science or related discipline ● More than 2 years of experience in software programming and familiar with various software development tools
	● Responsible for supervising android programming	
	<i>Business analyst</i>	
	● Plan and prepare detailed user requirement of the new system ● Execute user acceptance test	
Junior software programmers	<i>Software programmer</i>	● Bachelor degree in computer science or related discipline ● More than 2 years of experience in software programming and familiar with various software development tools
	● Front end programming mainly include web interface and user interface ● Back end programming mainly include web interface and user interface	
	<i>Android programmer</i>	
	● Responsible for android programming	
Junior software programmers	<i>Graphic designer</i>	● Responsible for system testing and graphic design
	● Responsible for system testing and graphic design	
Junior software programmers	<i>Database programmer</i>	● Responsible for database design including data dictionary, entity relationship diagram, storage procedures and testing.
	● Responsible for database design including data dictionary, entity relationship diagram, storage procedures and testing.	

The Directors believe that as Zhuhai is close to Shenzhen, Guangzhou, Hong Kong and Macau where the Group's offices and customers are mainly located, having a software development centre which is proximate to its management and customers will offer better communication and more efficient operations. Also, as software and information technology industry is one of the core economic developments in Zhuhai, the Directors believe the Group could attract more potential IT talents. According to public information, the software and information technology business in Zhuhai generated revenue of approximately RMB39.0 billion, representing an increase of 16.0% compared with 2015. The Directors also believe that the New Center will (i) increase the cost efficiency of the Group's software development process; (ii) increase the overall software development capacity; and (iii) provide resources and capacity for software innovation.

The Group currently has no plan to implement the business strategies by acquisition of other businesses and therefore it has no acquisition target.

BUSINESS OBJECTIVES AND STRATEGIES

According to the Company's legal advisers as to PRC laws, setting up a software development center in the PRC is not subject to any specific regulatory restrictions and licensing requirements.

As set out in more details in "Business — Subcontractors" in this prospectus, the Group has engaged Subcontractor D to provide manpower to develop Web Based Systems in Zhuhai, the PRC under the Group's instructions and supervision. The engagement of Subcontractor D is expected to terminate after completion of the Web Based Systems. The Directors consider that the plan of setting up the New Center would not be replaced by engaging Subcontractor D on a long-term basis based on the following reasons:

- (1) The personnel hired by Subcontractor D is only allowed to conduct researches and develop Web Based Systems for the Group and is prohibited from handling any software development which involved "Time Expert" for proper protection of the proprietary information of "Time Expert".
- (2) In order to have direct control on the operational management, the Group will set up its own software development center instead of subcontracting one of the Group's principal future plans to a subcontractor.
- (3) The Directors consider the relevant qualification, technical knowledge and skill sets of the staff to be vital to the Group's future development. Under the current arrangement with Subcontractor D, candidates were initially screened and referred to the Group for further selection. They may not possess the relevant knowledge and qualification required by the Group for its future expansion plan. As such, the Group wishes to take control of the recruitment procedure for the New Centre, starting from screening to recruitment.

IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, the Group's implementation plans are set forth below for each of the 6-month periods until 30 September 2020. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in "Risk Factors" in this prospectus. The Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objectives of the Group will be accomplished at all.

Nevertheless, the Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that the Group may stay ahead of or react timely and appropriately to such changes.

For the period from the Latest Practicable Date to 31 March 2018

1. Expanding the business in Southern China

- administrative cost in setting up the business

BUSINESS OBJECTIVES AND STRATEGIES

2. *Improving the information technology system*

- recruit two additional employees with expertise in information technology for developing the new ERP system and CRM system

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- administrative cost in setting up the software development center

For the six months ending 30 September 2018

1. *Expanding the business in Southern China*

- recruit additional employees for various departments such as software development department, projects and sales department, finance and administration department;
- rent and renovate one new office, including showroom, for the Group's products in the PRC;
- roll out advertisements and attend exhibitions in the PRC;
- purchase computer equipment and server;
- purchase two moulds of fingerprint identification devices;
- purchase a motor vehicle;
- rent three customer service centers in different cities of southern PRC; and
- recruit two staff for each of the three customer service centers

2. *Improving the information technology system*

- develop and integrate the ERP system into the Group's operation and develop CRM system; and
- purchase computers and servers to support the new ERP system and CRM system

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- recruit additional employees for the new center;
- rent and renovate an office in Guangdong province, the PRC; and
- purchase computer equipment and server

BUSINESS OBJECTIVES AND STRATEGIES

For the six months ending 31 March 2019

1. *Expanding the business in Southern China*

- purchase computer equipment and server; and
- roll out advertisements and attend exhibitions in the PRC

2. *Improving the information technology system*

- recruit one additional employee with expertise in information technology for the operation and maintenance of the new ERP system and CRM system; and
- monitor the ERP system and CRM system

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- maintain employees for the new center

For the six months ending 30 September 2019

1. *Expanding the business in Southern China*

- purchase one additional motor vehicle;
- roll out advertisements and attend exhibitions in the PRC; and
- purchase four moulds of fingerprint identification devices

2. *Improving the information technology system*

- monitor the ERP system and CRM system; and
- purchase computers and servers to support the new ERP system and CRM system

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- maintain employees for the new center

For the six months ending 31 March 2020

1. *Expanding the business in Southern China*

- roll out advertisements and attend exhibitions in the PRC

2. *Improving the information technology system*

- monitor the ERP system and CRM system

BUSINESS OBJECTIVES AND STRATEGIES

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- maintain employees for the new center

For the six months ending 30 September 2020

1. *Expanding the business in Southern China*

- purchase six moulds of fingerprint identification devices,
- purchase one additional motor vehicle; and
- roll out advertisements and attend exhibitions in the PRC

2. *Improving the information technology system*

- purchase computers and servers to support the new ERP system and CRM system; and
- monitor the ERP system and CRM system

3. *Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software*

- maintain employees for the new center

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the Group's business objective depends on the following general assumptions and specific assumptions:

General assumptions

- (1) The Group is not materially adversely affected by any changes in existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in the PRC, Hong Kong and Macau in which the Group carries or will carry on business.
- (2) The Group is not materially or adversely affected by any changes in bases or rates of taxation or duties in Hong Kong or in any other places in which the Group operates or is incorporated.
- (3) The Group is not materially or adversely affected by any changes in inflation rates, interest rates or exchange rates from those currently prevailing.

Specific assumptions

- (1) The Share Offer will be completed in accordance with and as described in "Structure and Condition of the Share Offer" in this prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

- (2) The Group is not adversely affected by any of the risk factors set out in “Risk Factors” in this prospectus.
- (3) The Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

REASONS FOR THE SHARE OFFER

The Group's business objectives are (i) to further its growth in existing business by strengthening marketing capabilities and expanding product portfolio through enhancing its software development, in order to further enlarge its market share in Hong Kong and Macau; and (ii) to become one of the active biometrics identification solutions providers in the PRC. To this end, the Group will adopt the business strategies as set out in "Business Objectives and Strategies" in this prospectus. The Directors believe the estimated net proceeds from the Share Offer of HK\$40.2 million based on an Offer Price of HK\$0.31 per Offer Share (being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share) (after deducting the related underwriting fees and expenses payable in relation to the Listing) will help the Group to implement its business strategies. In addition, the Directors expect the Listing and the Share Offer will provide the Group with access to the capital market to assist in the Group's future business development, and to further strengthen and enhance its competitiveness. In addition, the Listing will expand and diversify the Group's shareholder base as it will allow institutional and professional investors in Hong Kong to easily invest in the equity of the Company, thereby establishing a solid institutional and professional shareholder base to the benefit of the Company and Shareholders as a whole. On an operational level, the Directors consider that the Listing will enhance the Group's recruitment strategy to attract more talented staff.

In addition to the above reasons, the Directors decide to proceed with equity financing in the form of Listing for the purpose of the Group's business expansion instead of debt financing, due to the following reasons:

- (i) banks and other financial institutions generally require borrowers to provide assets as securities for long-term loans. As at 31 July 2017, the carrying amount of the Group's property, plant and equipment was approximately HK\$0.9 million. In view of this requirement and current situation, the Directors believe that the Group will not be able to carry out its business expansion solely by debt financing, since its available assets may not be sufficient to secure the long-term loans required in order to fully finance its future plans and/or the repayment terms of such loans (including but not limited to covenant obligations and interest rate level) as such arrangement may not be commercially acceptable to the Group;
- (ii) the regular financial reporting requirement under GEM Listing Rules can enable the banks to evaluate and monitor the Group's financial position more effectively and therefore is expected to smoothen the approval process for any future bank borrowings. The increased accessibility to the banking facilities provides the Group more flexibility to the management of the cashflow of its business that can be affected by various factors including those set out in "Risk Factors" in this prospectus;
- (iii) if the Group raises additional funds by incurring debt financing, the Group may be subject to various covenants under the relevant debt instruments that may, among other things, restrict its ability from paying dividends or obtaining additional financing. Fulfilling such debt obligations could also be burdensome to the Group's operations. If the Group fails to fulfill such debt obligations or is unable to comply with any of these covenants, the Group could be in default and its liquidity and financial condition could be materially and adversely affected; and

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

- (iv) given the uncertain interest rate movement going forward (which may expose the Group to increasing borrowing costs in the future via debt financing), the Directors believe that its financial performance and liquidity may be negatively affected due to repayment of principal and interests, if the Group proceeds with debt financing to fund its business expansion.

The Directors consider that it would not be feasible to finance the Group's expansion plan solely with its internal resources (not including the expected net proceeds from the Listing) as the Directors consider that its present plans to (a) expand the business in Southern China; (b) improve the information technology system; and (c) set up a new and separate software department center in the PRC to further enhance and develop the Group's software are mutually complementary, and represent an integral initiative to enhance the Group's capacity to handle multiple jobs simultaneously. The Directors estimated that the implementation of its entire expansion plan would require a lump sum of approximately HK\$40.2 million and may not be fully financed by its internal resources (not including the expected net proceeds from the Listing) without creating materially adverse impacts on its financial position and liquidity.

Please refer to "Business Objectives and Strategies — Implementation plans" in this prospectus.

USE OF PROCEEDS

The Directors consider that net proceeds from the Share Offer are crucial for financing the Group's business strategies. Details of the Group's corporate strategies and business plans are set forth in "Business Objectives and Strategies — Implementation plans" in this prospectus. The Directors estimate that the net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by the Company in connection with the Share Offer) will be approximately HK\$40.2 million based on an Offer Price of HK\$0.31 per Offer Share (being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share), assuming the Offer Size Adjustment Option is not exercised. At present, it is intended that the net proceeds will be applied as follows:

- approximately HK\$14.3 million, representing approximately 35.6% of the estimated net proceeds, for the launch of affordable locally manufactured fingerprint identification devices as part of the expansion plan of the business in Southern China, of which (i) approximately HK\$5.0 million will be used for hiring 3 persons for software development department and 11 persons for project & sales department; (ii) approximately HK\$2.0 million will be used for renting and decorating new office including showroom in Southern China; (iii) approximately HK\$0.6 million will be used for purchasing computer equipment and server; (iv) approximately HK\$4.0 million will be used for purchasing molds of the hardware for fingerprint identification device from an ODM manufacturer; (v) approximately HK\$2.0 million will be used for sales and marketing events; (vi) approximately HK\$0.3 million will be used for set up fee; and (vii) approximately HK\$0.4 million will be used for working capital in expanding the business in Southern China;
- approximately HK\$4.6 million, representing approximately 11.4% of the estimated net proceeds, for enhancing the quality of after-sales services and strengthening of the operation support as part of the expansion plan of the business in Southern China, of which (i) approximately HK\$0.6 million will be used for purchasing motor vehicles; (ii) approximately

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

HK\$2.0 million will be used for renting customer service centers and hiring staff; and (iii) approximately HK\$2.0 million will be used for hiring 4 persons for logistics and warehouse department and 3 persons for finance and administration department.

- approximately HK\$4.5 million, representing approximately 11.2% of the estimated net proceeds, for improving the information technology system, of which (i) approximately HK\$2.1 million will be used for purchasing computer equipment and server; and (ii) approximately HK\$2.4 million will be used for hiring IT staff;
- approximately HK\$13.7 million, representing approximately 34.1% of the estimated net proceeds, for setting up a new and separate software development center in the PRC to further enhance and develop the Group's software, of which (i) approximately HK\$9.3 million will be used for hiring one project manager who will oversee three software development teams and eight personnel for each of the three software development teams; (ii) approximately HK\$0.9 million will be used for hiring three personnel for finance & administration department team; (iii) approximately HK\$1.4 million will be used for renting and decorating an office; (iv) approximately HK\$1.3 million will be used for purchasing computer equipment and server; and (v) approximately HK\$0.3 million will be used for set up fee; and (vi) approximately HK\$0.5 million will be used for working capital; and
- the balance of approximately HK\$3.1 million, representing approximately 7.7% of the estimated net proceeds, for working capital of the Group.

Assuming the Offer Size Adjustment Option is not exercised, the intended use of net proceeds under three different Offer Prices is summarised as follows:

Plan	Approximate amount of net proceeds		
	Offer Price	Offer Price	Offer Price
	of HK\$0.27	of HK\$0.31	of HK\$0.35
	per Offer	per Offer	per Offer
	Share	Share	Share
	HK\$ million	HK\$ million	HK\$ million
Expanding the business in Southern China			
— launch of affordable locally manufactured fingerprint identification devices	11.6	14.3	17.0
— enhancement of the quality of after-sales services and strengthening of the operation support	3.7	4.6	5.5
Improving the information technology system	3.6	4.5	5.4
Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software	11.1	13.7	16.3
Working capital	<u>2.5</u>	<u>3.1</u>	<u>3.7</u>
	<u>32.5</u>	<u>40.2</u>	<u>47.9</u>

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 September 2020, the Group's net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 31 March 2018 <i>HK\$ million</i>	For the six months ending 30 September 2018 <i>HK\$ million</i>	For the six months ending 31 March 2019 <i>HK\$ million</i>	For the six months ending 30 September 2019 <i>HK\$ million</i>	For the six months ending 31 March 2020 <i>HK\$ million</i>	For the six months ending 30 September 2020 <i>HK\$ million</i>	Total <i>HK\$ million</i>
Expanding the business in Southern China							
— launch of affordable locally manufactured fingerprint identification devices	0.7	3.5	1.9	3.0	1.6	3.6	14.3
— enhancement of the quality of after-sales services and strengthening of the operation support	—	0.8	0.9	1.1	0.9	0.9	4.6
Improving the information technology system	0.1	1.1	0.5	1.2	0.5	1.1	4.5
Setting up a new and separate software development center in the PRC to further enhance and develop the Group's software	0.8	2.8	2.7	2.7	2.7	2.0	13.7
Working capital	3.1	—	—	—	—	—	3.1
Total	4.7	8.2	6.0	8.0	5.7	7.6	40.2

If the Offer Price is set at the high-end of the indicative Offer Price range at HK\$0.35 per Offer Share, the net proceeds from the Share Offer will increase to approximately HK\$47.9 million. If the Offer Price is set at the low-end of the indicative Offer Price range, at HK\$0.27 per Offer Share, the net proceeds from the Share Offer will decrease to approximately HK\$32.5 million. If the Offer Price is finally determined to be less than HK\$0.31 (being the mid-point of the indicative range of the Offer Price), the Group will reduce the proposed use of net proceeds on a pro rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the Offer Price is finally determined to be more than HK\$0.31, the Group will increase the proposed amounts of net proceeds based on a pro rata basis.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Offer Size Adjustment Option, please refer to “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” in this prospectus.

REASONS FOR THE SHARE OFFER 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 will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. The Directors consider that the net proceeds from the Share Offer together with the internal resources of the Group will be sufficient to finance the implementation of the Group's business plans as set out in "Business Objectives and Strategies — Implementation plans" in this prospectus.

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

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of the Company as at the date of this prospectus and immediately after completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and taking no account of any Shares that may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme):

Number	Aggregate par value HK\$
<i>Authorised share capital:</i>	
5,000,000,000 Shares	50,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
2,000 Shares in issue at the date of this prospectus	20
599,998,000 Shares to be issued pursuant to the Capitalisation Issue	5,999,980
200,000,000 Shares to be issued under the Share Offer (before any exercise of the Offer Size Adjustment Option) ^(Note)	2,000,000
Total: 800,000,000 Shares (before any exercise of the Offer Size Adjustment Option) ^(Note)	8,000,000

Note: If the Offer Size Adjustment Option is exercised in full, then 30,000,000 additional Shares will be issued resulting in a total issued share capital of 830,000,000 Shares with an aggregate nominal value of HK\$8,300,000.

Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

RANKING

The Offer Shares and the Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme will rank equally in all respects with all Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix IV 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, issue and deal with the unissued Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

This general mandate does not apply to situations where the Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend or similar arrangements in accordance with the Articles, or pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer. The Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue and deal in Shares pursuant to a rights issue, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This general mandate will remain in effect until:

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the Company’s next annual general meeting is required to be held by the Articles or any applicable laws of Cayman Islands; or
- (c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting,

whichever occurs the earliest.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of all the Shareholders” in Appendix IV 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 purchase 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 as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (not including Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to purchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the GEM Listing Rules.

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

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the Company’s next annual general meeting is required to be held by the Articles or any applicable laws of Cayman Islands; or
- (c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting,

whichever occurs the earliest.

For further details of this repurchase mandate, please refer to the paragraph headed “Written resolutions of all the Shareholders” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles. For details, please refer to Appendix III to 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 Accountants' Report in Appendix I to this prospectus. The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of the Group's 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 depend on a number of risks and uncertainties over which the Group does not have control. For further information, see "Risk Factors" in this prospectus.

OVERVIEW

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. Depending on the requirements of the Group's customers, the Group would provide biometrics identification solutions which generally comprises one or one group of biometrics identification devices with certain other devices and accessories supported by certain software provided by the Group. The Group derives revenue from the following business activities: (i) sales of products which include biometrics identification devices, and other devices and accessories; and (ii) provision of auxiliary and other services. All of the biometrics identification devices sold by the Group are purchased from its various suppliers and the Group has no manufacturing activity. As part of the biometrics identification solutions, a software "Time Expert" was developed by the Group and it is provided to customers at a software licensing fee. The Group also provides (i) in general up to one year free warranty for equipments provided and standard maintenance service after delivery; and (ii) maintenance service on the biometrics identification solutions/devices for certain period which usually last up to one year under the relevant maintenance contracts with its customers.

FINANCIAL INFORMATION

The following table sets forth the Group's revenue by nature and by product type during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Sales of products				
Biometrics identification devices	25,877	24,324	8,691	9,346
Other devices and accessories	<u>14,352</u>	<u>16,501</u>	<u>5,208</u>	<u>6,758</u>
	40,229	40,825	13,899	16,104
Provision of auxiliary and other services				
Service income	15,459	19,009	5,228	6,919
Software licensing income	2,499	3,234	745	1,316
Others	<u>878</u>	<u>454</u>	<u>230</u>	<u>59</u>
	<u>18,836</u>	<u>22,697</u>	<u>6,203</u>	<u>8,294</u>
Total	<u><u>59,065</u></u>	<u><u>63,522</u></u>	<u><u>20,102</u></u>	<u><u>24,398</u></u>

All of the Group's products were sold and all of the services were provided in Hong Kong, Macau and/or the PRC during the Track Record Period. Based on the geographical location where the Group operates, approximately 78.3%, 78.1% and 83.5% of the Group's total revenue were derived from Hong Kong for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. The following table sets forth the breakdown of revenue by geographical location where the Group operates during the years/periods indicated:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong	46,238	49,625	14,565	20,373
Macau	5,916	7,064	3,043	1,340
The PRC	<u>6,911</u>	<u>6,833</u>	<u>2,494</u>	<u>2,685</u>
	<u><u>59,065</u></u>	<u><u>63,522</u></u>	<u><u>20,102</u></u>	<u><u>24,398</u></u>

For further information about the Group's business and operations, please refer to "Business" in this prospectus.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

The Group expects the listing expenses (including but not limited to underwriting commission) to be approximately HK\$21.8 million (based on an Offer Price of HK\$0.31 per Offer Share, being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share, and assuming the Offer Size Adjustment Option is not exercised). Listing expenses of approximately HK\$1.2 million, HK\$1.8 million and HK\$2.7 million were charged to the Group's profit or loss account for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively. The listing expenses to be recognised before or upon Listing is expected to be approximately HK\$16.1 million, of which approximately HK\$5.1 million and HK\$11.0 million will be recognised in equity and as an expense in the profit or loss account of the Group for the year ending 31 March 2018 respectively. As at 31 July 2017, approximately HK\$5.5 million was recognised as prepayments in relation to listing expenses. The Directors believe that there will be an increase in administrative and other expenses as a result of the Listing which together with the recognition of the listing expenses, will adversely affect the Company's financial performance for the year ending 31 March 2018.

Based on the Group's unaudited management accounts, for the five months ended 31 December 2017 after the Track Record Period, the Group recorded average monthly revenue of approximately HK\$6.0 million, which slightly decreased by approximately 2.0% compared with the average monthly revenue of approximately HK\$6.1 million for the four months ended 31 July 2017. From August 2017 to the Latest Practicable Date, the Group obtained sales orders and maintenance contracts of approximately HK\$32.6 million.

Some unaudited financial information of the Group, including but not limited to the Group's revenue for the five months ended 31 December 2017 after the Track Record Period, were derived from the Group's unaudited condensed combined financial statements prepared by the Directors in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, which has been reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

FINANCIAL INFORMATION

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of the Group for the two years ended 31 March 2017 and the four months ended 31 July 2017 with unaudited corresponding results for the four months ended 31 July 2016. For more detailed information, please refer to the Accountants' Report set out in Appendix I to this prospectus.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	59,065	63,522	20,102	24,398
Cost of sales	<u>(23,377)</u>	<u>(25,505)</u>	<u>(9,004)</u>	<u>(9,170)</u>
Gross profit	35,688	38,017	11,098	15,228
Other income	56	94	1	118
Selling and distribution costs	(3,937)	(4,826)	(1,620)	(1,583)
Administrative and other expenses	<u>(15,990)</u>	<u>(16,715)</u>	<u>(5,383)</u>	<u>(7,798)</u>
Profit from operation	15,817	16,570	4,096	5,965
Finance costs	<u>(165)</u>	<u>(142)</u>	<u>(63)</u>	<u>(20)</u>
Profit before tax	15,652	16,428	4,033	5,945
Income tax expense	<u>(2,603)</u>	<u>(2,904)</u>	<u>(723)</u>	<u>(1,341)</u>
Profit for the year/period	13,049	13,524	3,310	4,604
Other comprehensive income for the year/period, net of tax:				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>(214)</u>	<u>(400)</u>	<u>(162)</u>	<u>184</u>
Total comprehensive income for the year/period attributable to the owners of the Company	<u>12,835</u>	<u>13,124</u>	<u>3,148</u>	<u>4,788</u>
Earnings per share (HK\$)	<u>2.17</u>	<u>2.25</u>	<u>0.55</u>	<u>0.77</u>

FINANCIAL INFORMATION

BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 16 October 2015. Pursuant to the Reorganisation as fully explained in “History, Development and Reorganisation — Reorganisation” in this Prospectus, the Company was incorporated and interspersed between Power Truth and the equity holders of the Company, and became the holding company of the companies now comprising the Group on 10 November 2015. The companies now comprising the Group have been under the common control of the Controlling Party Group (as defined below) immediately prior to and after the Group Reorganisation. The Group now comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

Accordingly, for the purpose of this prospectus, the financial information of the Group for the Track Record Period has been presented as a continuation of the existing group based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. As a result, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position as at 31 March 2016 and 2017 and 31 July 2017 present the assets and liabilities of the companies now comprising the Group, which had been incorporated as at the end of the respective reporting periods, as if the current group structure had been in existence at those dates. The combined financial statements of the Group have been prepared in accordance with HKFRSs.

PRINCIPAL FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

The results of operations and the Group’s financial condition have been and are expected to continue to be affected by a number of factors, including the following:

- the reliance on major suppliers of the Group for biometrics identification devices
- the cost of merchandises
- no long-term contracts were entered into between the Group and the customers
- listing expenses

The reliance on major suppliers of the Group for the biometrics identification devices

Aggregate purchase from the Group’s top five suppliers amounted to approximately 80.4%, 81.5% and 72.3% of the Group’s total purchases respectively for the two years ended 31 March 2017 and the four months ended 31 July 2017 while the largest supplier of the Group accounted for approximately 36.3%, 39.6% and 33.1% respectively for the same mentioned periods. It indicates that the Group relies on major suppliers. Since the Group’s suppliers do not enter into long-term contracts with the Group, the Group cannot guarantee that there will not be any change in the supply of products from suppliers to the Group. Revenue of the Group may be directly affected if there is any significant change in the business relationship or business transaction mode between the suppliers and the Group.

FINANCIAL INFORMATION

The cost of merchandise

The cost of merchandise, such as biometrics identification devices, other devices and accessories, directly affects the cost of sales of the Group. As such, the movement/fluctuation of the cost of merchandise may affect the gross profit margins of the Group. The cost of merchandise represents approximately 82.0%, 81.1% and 79.2% in terms of the Group's total cost of sales for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively.

No long-term contracts were entered into between the Group and the customers

The Group's customers generally do not enter into long-term contracts with the Group, except for certain maintenance and other service contracts with customers which generally last for six months to one year. As such, the purchase orders may vary from period to period that future order quantities cannot be guaranteed. There is no assurance that (i) any of the customers will continue to place purchase orders with the Group in the future; (ii) the Group will be able to locate alternative customers to replace purchase orders or sales; and (iii) the volume or profit margin of the customers' purchase orders will be consistent with the Group's expectations when it plans its expenditures. As a result, the revenue of the Group may vary from period to period and may fluctuate significantly in the future if there is a significant change in the customers' purchase order.

Listing expenses

The Group expects the listing expenses to be approximately HK\$21.8 million (based on an Offer Price of HK\$0.31 per Offer Share, being the mid-point of the Offer Price range between HK\$0.27 and HK\$0.35 per Offer Share, and assuming the Offer Size Adjustment Option is not exercised). Listing expenses of approximately HK\$1.2 million, HK\$1.8 million and HK\$2.7 million were charged to the Group's profit or loss account for the two years ended 31 March 2017 and the four months ended 31 July 2017. The listing expenses to be recognised before or upon Listing is expected to be approximately HK\$16.1 million, of which approximately HK\$5.1 million and HK\$11.0 million will be recognised in equity and as an expense in the profit or loss account of the Group for the year ending 31 March 2018 respectively. As at 31 July 2017, approximately HK\$5.5 million was recognised as prepayments in relation to listing expenses in which approximately HK\$2.5 million and approximately HK\$3.0 million will be recognised in equity and as an expense in the profit or loss account of the Group for the year ending 31 March 2018 respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group has identified the policies below as critical to the Group's business operations and the understanding of its financial condition and results of operations. The Group makes estimates and assumptions concerning the future.

FINANCIAL INFORMATION

Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives of them are different from those previously estimated, to write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives.

Intangible assets (other than goodwill)

The Group has developed the “Time Expert” software and a new application, SE-bioCom. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Save for the above, the Group only incurred development cost on SE-bioCom which had been capitalised as intangible assets. Other than that, no other research and development expenditure had been charged to profit or loss or capitalised by the Group during the Track Record Period.

Software development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying software not exceeding five years, commencing from the date when the software is put into commercial production.

Allowance for inventories

Allowance for inventories is made based on the ageing, change in the market conditions and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Revenue recognition

The Group recognises revenue, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, on the following bases: (i) revenue from sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides at the time of delivery and when the title is passed to the customer; (ii) auxiliary and other service income from (a) provision of installation and solution services is recognised when relevant services are delivered to customers; (b) provision of maintenance and other services is recognised on a straight-line basis over the term of the maintenance and other service contracts; payment received or receivable in respect of maintenance and other services which have not been completed on or before the end of the reporting period are treated as deferred income; and (c) software licensing income is recognised on an accrual basis in accordance with the terms and conditions of the licensing agreement; and (iii) interest income is recognised on a time proportion basis using the effective interest method.

FINANCIAL INFORMATION

Taxation

The Group is subject to income taxes in Hong Kong, Macau and the PRC. The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the Group's management determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

MANAGEMENT DISCUSSION AND ANALYSIS

Description of selected items of the Group's profit or loss and the comparison of results of operation for the two years ended 31 March 2017 and the four months ended 31 July 2017

Revenue

The Group is a provider of biometrics identification solutions in Hong Kong, Macau and the PRC. Revenue of the Group during the Track Record Period consisted of (i) sales of biometrics identification devices; (ii) sales of other devices and accessories; (iii) provision of auxiliary and other service income including service income and software licensing income. Service income represents the fee income derived from maintenance services, installation services and solutions services provided to customers. Software licensing income is mainly the one-off fee charged to the Group's customers for the software, "Time Expert", provided to customers.

FINANCIAL INFORMATION

The following table sets out the Group's revenue by nature during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Sales of products				
Biometrics identification devices	25,877	24,324	8,691	9,346
Other devices and accessories	<u>14,352</u>	<u>16,501</u>	<u>5,208</u>	<u>6,758</u>
	40,229	40,825	13,899	16,104
Provision of auxiliary and other services				
Service income	15,459	19,009	5,228	6,919
Software licensing income	2,499	3,234	745	1,316
Others	<u>878</u>	<u>454</u>	<u>230</u>	<u>59</u>
	<u>18,836</u>	<u>22,697</u>	<u>6,203</u>	<u>8,294</u>
Total	<u><u>59,065</u></u>	<u><u>63,522</u></u>	<u><u>20,102</u></u>	<u><u>24,398</u></u>

Revenue of the Group slightly increased by approximately 7.5% from approximately HK\$59.1 million for the year ended 31 March 2016 to approximately HK\$63.5 million for the year ended 31 March 2017. Revenue from the sales of products remained stable while approximately 20.5% increase in provision of auxiliary and other services was mainly due to the increase in services income of approximately 23.0% for the year ended 31 March 2017. During the years ended 31 March 2016 and 2017, the Group generated revenue of (i) approximately HK\$5.4 million and HK\$6.9 million from provision of installation services respectively; (ii) approximately HK\$0.4 million and HK\$1.6 million respectively from the provision of solution services; and (iii) approximately HK\$9.7 million and HK\$10.5 million from the provision of maintenance services respectively. Revenues from provision of (i) installation services; (ii) solution services; and (iii) maintenance services were included in service income.

The increase in service income was mainly as a result of (i) the provision of services in relation to Shatin to Central Link construction project to a joint venture of Customer Group D and Customer Group G (the “**Shatin-Central Link Project**”) that approximately HK\$2.4 million of service income was recognised for the year ended 31 March 2017; and (ii) the provision of tailor-made solution mainly in relation to design and implementation of a limousine tracking system to a customer that approximately HK\$0.8 million was recognised for the year ended 31 March 2017.

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The revenue contribution from other sources, mainly being software licensing income, is insignificant. During the years ended 31 March 2017 and the four months ended 31 July 2017, the Group generated software licensing income of approximately HK\$2.5 million, HK\$3.2 million and HK\$1.3 million respectively. The combined revenue from other sources accounted for approximately 5.7%, 5.8% and 5.6% of the Group's total revenue for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively.

The Group recorded revenue for the four months ended 31 July 2017 of approximately HK\$24.4 million, representing an increase of approximately HK\$4.3 million, or 21.4% from approximately HK\$20.1 million for the four months ended 31 July 2016. Revenue from the sales of products increased by approximately 15.9% which was mainly due to increase in the sales of handheld devices of approximately 692.3% as a result of the implementation of CWRS that more android mobile devices were required by the customers so as to access CWRS. Approximately 33.7% increase in the provision of auxiliary and other services was mainly due to (i) the increase in software licensing income of approximately 76.6% for the four months ended 31 July 2017 which was mainly resulting from increase in license income of approximately 382.5% for licenses required in relation to the implementation of CWRS; and (ii) the increase in service income of approximately 32.3% for the four months ended 31 July 2017. During the four months ended 31 July 2016 and 2017, the Group generated revenue of (i) approximately HK\$1.5 million and HK\$2.5 million revenue from provision of installation services respectively; (ii) approximately HK\$0.6 million and HK\$1.0 million from the provision of solution services respectively; and (iii) approximately HK\$3.1million and HK\$3.5 million from provision of maintenance services respectively. Revenues from provision of (i) installation services; (ii) solution services; and (iii) maintenance services were included as service income. The increase in service income was mainly as a result of (i) services provided for upgrading systems and other related services in compatible with CWRS; and (ii) provision of tailor-made solution in relation to design and implementation of a patrol system to a customer that approximately HK\$0.6 million was recognised for the four months ended 31 July 2017.

FINANCIAL INFORMATION

During the two years ended 31 March 2017, the Group generated stable revenue of approximately HK\$25.9 million and HK\$24.3 million respectively from the sales of biometrics identification devices and generated stable revenue of approximately HK\$8.7 million and HK\$9.3 million for the four months ended 31 July 2016 and 2017 respectively. The following table sets forth the sales volume and the sales breakdown of the Group's major biometrics identification devices by function during the years/periods indicated:

	For the year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Unit	HK\$'000	Unit	HK\$'000	Unit	HK\$'000	Unit	HK\$'000
	(Note)		(Note)		(Note)		(Note)	
					(unaudited)			
Face								
— 3D face	14	510	20	738	—	—	—	—
— 2D face	114	829	115	819	24	174	61	384
Iris	21	494	17	405	2	44	18	416
Fingerprint								
— with touchscreen								
function	23	216	17	179	8	91	4	32
— without touchscreen								
function	2,433	9,495	3,000	11,071	1,351	4,974	1,235	5,355
Hand geometry	699	14,258	597	11,032	185	3,408	172	3,159
Finger vein	7	75	7	80	—	—	—	—
	<u>3,311</u>	<u>25,877</u>	<u>3,773</u>	<u>24,324</u>	<u>1,570</u>	<u>8,691</u>	<u>1,490</u>	<u>9,346</u>

Note: For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, there were nil, seven, nil and nil biometrics identification devices, respectively with both fingerprint and finger vein functions which were counted as finger vein identification devices only.

During the two years ended 31 March 2017, the sales of face identification devices increased by approximately 16.3% mainly due to the increase in sales volume of 3D face identification devices from 14 to 20 units which had higher selling prices comparing to 2D face identification devices. The sales of iris identification devices decreased by approximately 18.0% during the two years ended 31 March 2017 mainly due the decrease in the sales volume of the iris identification devices. The sales of fingerprint identification devices increased by 15.8% during the two years ended 31 March 2017 mainly due to (i) new models of fingerprint identification devices sold during the year ended 31 March 2017; and (ii) the requirement of the fingerprint identification devices from a customer for its casino project. During the two years ended 31 March 2017, the sales of hand geometry identification devices decreased by approximately 22.6% mainly due to (i) the bulk purchase pattern of two customers as they bulk purchased hand geometry identification devices during the year ended 31 March 2016, they did not bulk purchase hand geometry identification devices during the year ended 31 March 2017; and (ii) some customers requested for a model of hand geometry identification devices with specific function during the year ended 31 March 2016. The selling price of this model of hand geometry identification devices was relatively higher than the other models of hand geometry identification devices. The sales of finger vein identification devices remained stable during the two years ended 31 March 2017.

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Comparing the four months ended 31 July 2016 and 2017, the sales of face identification devices increased by approximately 120.7% which was mainly due to the increase in sales volume of face identification devices from 24 to 61 units. The sales of iris identification devices increased by approximately 845.5% between the four months ended 31 July 2016 and 2017 which was mainly due to the increase in the sales volume of iris identification devices from 2 to 18 units. The sales of fingerprint identification devices and the sales of hand geometry identification devices remained stable for the four months ended 31 July 2016 and 2017. There was no sales of finger vein identification devices for the four months ended 31 July 2016 and 2017.

The following table sets forth the average selling prices per major biometrics identification device by function during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$	HK\$	HK\$	HK\$
			(unaudited)	
Face				
— 3D face	36,437	36,917	N/A	N/A
— 2D face	7,269	7,121	7,234	6,292
Iris	23,501	23,831	22,277	23,112
Fingerprint				
— with touchscreen function	9,368	10,538	11,327	8,079
— without touchscreen function	3,903	3,690	3,682	4,336
Hand geometry	20,397	18,478	18,424	18,364
Finger vein	10,824	11,452	N/A	N/A

The average selling prices of the major biometrics identification devices were stable during the two years ended 31 March 2017. The decrease in the average selling price of major biometrics identification devices with hand geometry function of approximately 9.4% was mainly due to the fact that some customers requested for a model of hand geometry identification devices with specific function during the year ended 31 March 2016. The selling price of this model of hand geometry identification devices was relatively higher than the other models of hand geometry identification devices. By comparing the four months ended 31 July 2016 and 2017, the decrease in the average selling price of major biometrics identification devices with 2D face identification function of approximately 13.0% was mainly as a result of more sales of biometrics identification devices with 2D face identification function at lower unit prices. The decrease in the average selling price of fingerprint identification devices with touchscreen function of approximately 28.7% for the four months ended 31 July 2017 was mainly because of the different selling prices offered to different types of customers. The sales of the fingerprint identification devices with touchscreen function for the four months ended 31 July 2017 were mainly made to system integrators while the sales of the fingerprint identification devices with touchscreen function for the four months ended 31 July 2016 were mainly made to end-users for which the Group was able to charge a higher price.

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For the two years ended 31 March 2017, the Group generated revenue of approximately HK\$14.4 million and HK\$16.5 million respectively from the sales of other devices and accessories, representing an increase of approximately 15.0%. For the four months ended 31 July 2016 and 2017, the Group generated revenue of approximately HK\$5.2 million and HK\$6.8 million respectively from the sales of other devices and accessories, representing an increase of approximately 29.8%. The following table sets forth the breakdown of the revenue from sales of other major devices and accessories:

	Year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Turnstile	3,935	4,548	1,725	501
Handheld device	1,417	2,653	403	3,193
Smart card reader and smart card	3,576	3,677	1,679	465
Charger	1,015	1,128	383	582
Gate of vehicles barrier	896	447	220	98
Cable	786	955	255	216
Computer equipment	785	665	22	127
CCTV	722	518	164	146
Handheld device accessories	—	769	55	1,141
Others (<i>Note</i>)	<u>1,220</u>	<u>1,141</u>	<u>302</u>	<u>289</u>
	<u>14,352</u>	<u>16,501</u>	<u>5,208</u>	<u>6,758</u>

Note: Others mainly include but not limited to alarm, door lock, access controller and point of sales scanner.

For the two years ended 31 March 2017, the increase of approximately 15.0% in the revenue from the sales of other devices and accessories was mainly due to the increase in (i) the sales of handheld devices of approximately 87.2% which was a result of the implementation of CWRS that more android mobile devices were required by the customers so as to access CWRS; and (ii) the sales of charger of approximately 11.1% which was a result of the increase in the sales volume of biometrics identification devices that more chargers were needed.

By comparing the four months ended 31 July 2016 and 2017, the increase of approximately 29.8% in the revenue from the sales of other devices and accessories was mainly due to the increase in (i) the sales of handheld devices of approximately 692.3% which was a result of the implementation of CWRS that more android mobile devices were required by the customers so as to access CWRS; (ii) the sales of charger of approximately 52.0% which was a result of the increase in the sales volume of handheld devices that more chargers were needed; and (iii) the sales of accessories of handheld devices of approximately 197.5% as a result of the increase in the sales volume of handheld devices.

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The following table sets forth the sales volume and average selling price of the Group's other major devices and accessories for the year/period indicated:

	For the year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Unit	HK\$	Unit	HK\$	Unit	HK\$	Unit	HK\$
					(unaudited)			
Sales volume and average selling price								
Turnstile	225	17,491	219	20,766	67	25,743	35	14,321
Handheld device	125	11,334	488	5,436	60	6,718	656	4,867
Smart card reader	753	2,745	705	3,119	259	4,713	53	3,487
Smart card	140,632	11	114,140	13	29,720	15	25,360	11
Charger	911	1,114	1,040	1,085	331	1,156	484	1,203
Gate of vehicles barrier	69	12,992	35	12,761	17	12,947	9	10,822
Cable	239	3,289	322	2,966	119	2,143	66	3,269
Computer equipment	36	21,794	24	27,699	1	22,080	23	5,536
CCTV	137	5,273	102	5,076	26	6,312	36	4,048
Handheld device accessories	—	—	235	3,271	15	3,656	509	2,241
Others (Note)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Others mainly include but not limited to alarm, door lock, access controller and point of sales scanner.

For the two years ended 31 March 2017, the increase in the average selling price of turnstiles of approximately 18.7% was mainly due to the increase in sales of high price models of turnstiles for the year ended 31 March 2017 compared with that of the year ended 31 March 2016. The increase in the average selling price of computer equipment of approximately 27.1% was mainly due to the increase in the number of high-end server sold for the year ended 31 March 2017. The decrease in the average selling price of handheld devices of approximately 52.0% was mainly due to the fact that the majority of sales from handheld devices during the year ended 31 March 2017 were generated from android mobile devices which had a relatively lower selling price. The increase in the average selling prices of handheld device accessories of approximately 100.0% was mainly due to the implementation of CWRS.

Comparing the four months ended 31 July 2016 and 2017, the decrease in the average selling price of turnstiles of approximately 44.4% was mainly due to the fact that no turnstile with higher prices was sold during the four months ended 31 July 2017 whereas the sales of turnstiles with higher prices accounted for approximately 60.0% of revenue from sales of turnstiles for the four months ended 31 July 2016. The decrease in the average selling price of handheld devices of approximately 27.6% was mainly due to the fact that the majority of sales from handheld devices during the four months ended 31 July 2017 were generated from android mobile devices which had a relatively lower selling price. The decrease in the average selling price of smart card reader of approximately 26.0% was mainly due to the fact that less smart card readers with a higher price such as a RFID reader was sold which accounted for approximately 49.3% and 41.9% of the revenue from smart card reader for the four months ended 31 July 2016 and 2017 respectively. The decrease in the average selling price of gate of vehicles barrier of approximately 16.4% was mainly due to the fact that less gate of vehicles barriers with higher prices

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were sold which accounted for approximately 50.9% and 0.0% of revenue from gate of vehicles barriers for the four months ended 31 July 2016 and 2017 respectively. The decrease in the average selling prices of CCTV of approximately 35.9% was mainly due to the increase in the number of sales of CCTV at lower price for the four months ended 31 July 2017 comparing with that of the four months ended 31 July 2016. The decrease in the average selling prices of computer equipment of approximately 74.9% was mainly due to the increase in the number of the sales of computer equipment at lower price for the four months ended 31 July 2017 comparing with that of the four months ended 31 July 2016. The increase in the average selling prices of cable of approximately 52.5% was mainly due to the fact that approximately 16.8% of revenue from the sales of cable was generated from cable of more than HK\$10,000 per set for the four months ended 31 July 2017, while all revenue from sales of cable for the four months ended 31 July 2016 was generated from cable of less than HK\$10,000 per set. The decrease in the average selling prices of handheld device accessories of approximately 38.7% was mainly due to the more competitive price offered as a result of bulk purchase.

For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, the average contract size of service income generated was approximately HK\$6,600, HK\$7,600, HK\$5,200 and HK\$6,000 respectively while the average contract size of software licensing income generated was approximately HK\$5,700, HK\$7,800, HK\$5,700 and HK\$6,400 respectively. For the year ended 31 March 2017, the increase in the average contract size of service income and software licensing income was mainly a result of the Shatin-Central Link Project that the relevant contract amount was higher than the other contracts due to its larger project size. For the four months ended 31 July 2017, increase in the average contract size of service income and software licensing income was mainly due to a larger contract amount of provision of tailor-made solution of a patrol system and relatively larger contract amount of licensing income in relation to the implementation of CWRS respectively.

Geographical Markets

During the Track Record Period, the Group's products and service were primarily sold and performed in Hong Kong, Macau and the PRC. The following table sets forth the Group's revenue by geographical location where the Group operates during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong	46,238	49,625	14,565	20,373
Macau	5,916	7,064	3,043	1,340
The PRC	<u>6,911</u>	<u>6,833</u>	<u>2,494</u>	<u>2,685</u>
	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

Based on the geographical location where the Group operates, revenue derived from Hong Kong contributed approximately 78.3% and 78.1% of the total revenue for the two years ended 31 March 2017 respectively and approximately 72.5% and 83.5% of the total revenue for the four months ended 31 July 2016 and 2017 respectively. The total revenue for the year ended 31 March 2017 was increased by

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approximately 7.5% which was mainly due to the increase in revenue derived from Macau and Hong Kong by approximately 19.4% and 7.3% respectively. The increase in revenue derived from Macau was mainly due to the provision of tailor-made solution mainly in relation to design and implementation of a limousine tracking system to a customer that approximately HK\$0.8 million was recognised for the year ended 31 March 2017. The increase in revenue derived from Hong Kong was mainly due to the Shatin-Central Link Project which includes the provision of (i) design, supply and installation of tunnel access control system for Shatin to Central Link east west line; and (ii) maintenance service for tunnel access control system. Approximately HK\$6.1 million in total was recognised from this project for the year ended 31 March 2017 including revenue from sales of products and provision of auxiliary and other services. The total revenue for the four months ended 31 July 2017 increased by approximately 21.4% comparing with that of the four months ended 31 July 2016, which was mainly due to the increase in revenue derived from Hong Kong by approximately 39.9% as a result of the implementation of CWRS that more android mobile devices and other related accessories and services were required by the customers so as to access CWRS.

Cost of sales

Cost of sales of the Group during the Track Record Period mainly consisted of (i) inventories sold; (ii) wages and staff costs; and (iii) subcontracting fee. Inventories sold included the cost incurred for the biometrics identification devices and other devices and accessories. Wages and staff costs were incurred for the wages of the technical staff of the Group's operations and services department and technical support department, and staff cost of software programmers related to tailor-made solutions and tailor-made modification solutions to the "Time Expert" software which included wages and bonus. Subcontracting fee represented cost of subcontracting work by Subcontractor A, Subcontractor B, Subcontractor C and Subcontractor D.

The following table sets out the summary of cost of sales by nature during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Inventories sold	19,179	20,683	7,473	7,265
Depreciation of the biometrics identification solutions	63	63	21	21
Wages and staff costs	3,091	3,799	1,203	1,478
Subcontracting fee	1,044	960	307	406
	<u>23,377</u>	<u>25,505</u>	<u>9,004</u>	<u>9,170</u>

The cost of sales has slightly increased from approximately HK\$23.4 million for the year ended 31 March 2016 to approximately HK\$25.5 million for the year ended 31 March 2017. The annual growth of approximately 9.1% was in line with the growth in revenue during the year.

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Wages and staff costs increased from approximately HK\$3.1 million for the year ended 31 March 2016 to approximately HK\$3.8 million for the year ended 31 March 2017, representing approximately 22.9% increase which was mainly due to the staff cost incurred as a result of (i) the increase in the provision of services in relation to software modification for the year ended 31 March 2017; and (ii) the salary increment. Subcontracting fee decreased by approximately 8.0% which was mainly due to the decrease in subcontracting services provided by Subcontractor B as a result of the reduction in the number of subcontracting work from 44 to 31 for the year ended 31 March 2017. Inventories sold increased by approximately 7.8% which was in line with the growth in revenue during the year.

The cost of sales remained stable for the four months ended 31 July 2017. Wages and staff costs increased from approximately HK\$1.2 million for the four months ended 31 July 2016 to approximately HK\$1.5 million for the four months ended 31 July 2017, representing approximately 22.9% increase which was mainly due to the staff costs incurred as a result of salary increment.

Gross profit and gross profit margin

The following table sets out the gross profit and gross profit margin by nature of revenue for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March 2016		2017		For the four months ended 31 July 2016		2017	
	Gross profit margin HK\$'000	%	Gross profit margin HK\$'000	%	Gross profit margin HK\$'000	%	Gross profit margin HK\$'000	%
(unaudited)								
Sales of products								
Biometrics identification devices	13,490	52.1	11,721	48.2	4,215	48.5	4,455	47.7
Other devices and accessories	8,040	56.0	9,426	57.1	2,520	48.4	4,558	67.4
Provision of auxiliary and other services								
Service income	10,844	70.2	13,245	69.7	3,409	65.2	4,861	70.3
Software licensing income	2,499	100.0	3,234	100.0	745	100.0	1,316	100.0
Others	<u>815</u>	92.8	<u>391</u>	86.1	<u>209</u>	90.9	<u>38</u>	64.5
Overall	<u>35,688</u>	60.4	<u>38,017</u>	59.8	<u>11,098</u>	55.2	<u>15,228</u>	62.4

The amount of gross profit increased from approximately HK\$35.7 million to HK\$38.0 million in each of the two years ended 31 March 2017, representing an annual growth of approximately 6.5%. Gross profit ratio from sales of biometrics identification devices decreased by approximately 3.9% which was mainly a result of more sales to customers who did not need installation and after sales services for the year ended 31 March 2017. As Time Expert has been fully amortised, there was no cost

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of sales incurred during the course of production of software licensing income that 100% gross profit ratio of software licensing income was achieved during the two years ended 31 March 2017. The overall gross profit margin remained stable for the two years ended 31 March 2017.

The amount of gross profit increased from approximately HK\$11.1 million to HK\$15.2 million between the four months ended 31 July 2016 and 2017, representing a growth of approximately 37.2%. Gross profit ratio from sales of other devices and accessories increased by approximately 19.0% which was mainly a result of the increase in demand of handheld devices that approximately HK\$2.8 million of increase in revenue was due to the implementation of CWRS. As Time Expert has been fully amortised, there was no cost of sales incurred during the course of production of software licensing income that 100% gross profit ratio of software licensing income was achieved during the four months ended 31 July 2016 and 2017. Gross profit ratio from provision of other auxiliary and other services decreased by approximately 26.4% which was mainly a result of the decrease in the revenue derived from the provision of services for specific projects in Macau. The overall gross profit margin increased by approximately 7.2% for the four months ended 31 July 2017.

Other income

Other income consisted of (i) net foreign exchange gain; (ii) interest income; (iii) management fee income; (iv) gain on disposals of property, plant and equipment; and (v) others. Net foreign exchange gain represents gain from the fluctuation of the foreign currency exchange rate. Interest income represents bank interest income received. Management fee income represents the management fee received from Systec for providing administrative support. Gain on disposals of property, plant and equipment was related to the disposal of motor vehicles.

The following table sets out the components of other income during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Foreign exchange gains (net)	—	—	—	13
Interest income	3	3	1	1
Management fee income	48	—	—	—
Gain on disposals of property, plant and equipment	—	67	—	100
Others	5	24	—	4
	<u>56</u>	<u>94</u>	<u>1</u>	<u>118</u>

The foreign exchange gains for the four months ended 31 July 2017 was mainly due to the appreciation of RMB. The Group's bank interest income remained stable while the management fee income represents the management fee of HK\$8,000 per month received from Systec until September 2015. No management fee income was generated for the year ended 31 March 2017 and the four months

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ended 31 July 2016 and 2017. There was no disposal of property, plant and equipment for the year ended 31 March 2016 and the four months ended 31 July 2016. The gain on disposals of property, plant and equipment for the year ended 31 March 2017 and the four months ended 31 July 2017 was mainly due to the disposal of motor vehicles in August 2016 and April 2017 respectively.

Selling and distribution costs

Selling and distribution costs mainly represented (i) sales and marketing costs; (ii) exhibition expense; (iii) import/export declaration; (iv) delivery; and (v) staff costs, which accounted for approximately HK\$3.9 million, HK\$4.8 million for the two years ended 31 March 2017 respectively and approximately HK\$1.6 million and HK\$1.6 million for the four months ended 31 July 2016 and 2017 respectively.

The following table sets out the components of selling and distribution costs during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Sales and marketing costs	427	773	191	106
Exhibition expense	289	540	231	—
Import/export declaration	5	4	2	1
Delivery	33	38	13	8
Staff costs	<u>3,183</u>	<u>3,471</u>	<u>1,183</u>	<u>1,468</u>
	<u>3,937</u>	<u>4,826</u>	<u>1,620</u>	<u>1,583</u>

The selling and distribution costs increased by approximately 22.6% during the two years ended 31 March 2017 which was due to (i) the increase in exhibition expense of approximately 86.9% for the year ended 31 March 2017 as a result of the participation in two exhibitions in Hong Kong and the PRC for the year ended 31 March 2017, compared to one exhibition participated in the PRC for the year ended 31 March 2016; (ii) the increase in sales and marketing costs of approximately 81.0% for the year ended 31 March 2017 mainly as a result of increase in (a) the sponsorship of a promotional event; and (b) entertainment; and (iii) the increase in staff costs of approximately 9.0% for the year ended 31 March 2017 as a result of the salary increment of the staff. Other components of import/export declaration and delivery cost remained stable during the two years ended 31 March 2017.

The selling and distribution costs remained stable during the four months ended 31 July 2016 and 2017. The sales and marketing costs decreased by approximately 44.5% which was due to the decrease in sponsorship of promotion event for the four months ended 31 July 2017. No exhibition expense was recorded for the four months ended 31 July 2017 as the exhibition participated by the Group is held annually during October and November, and no such exhibition was held during the four months ended 31 July 2017. Staff costs increased by approximately 24.1% which was mainly due to salary increment.

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Administrative and other expenses

Administrative and other expenses mainly consisted of (i) staff costs; (ii) rental and maintenance expenses; (iii) travelling expenses; (iv) motor vehicle expenses; and (v) listing expenses. Staff costs included salaries, allowances and staff benefits for administrative staff and Directors. Rental and maintenance expenses comprised items such as rent, rates and maintenance cost of office premises.

The table below sets out the summary of administrative and other expenses by nature during the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Staff costs including Directors' remuneration	10,005	9,671	3,196	3,502
Rental and maintenance expenses	1,429	1,446	482	497
Travelling expenses	594	772	247	150
Motor vehicle expenses	496	591	147	212
Depreciation	230	355	113	209
Listing expenses	1,215	1,810	659	2,705
Audit fee	447	504	133	167
Others	<u>1,574</u>	<u>1,566</u>	<u>406</u>	<u>356</u>
	<u>15,990</u>	<u>16,715</u>	<u>5,383</u>	<u>7,798</u>

The Group's administrative and other expenses remained stable for the two years ended 31 March 2017 with a slight increase of approximately 4.5%. Listing expenses increased from approximately HK\$1.2 million to approximately HK\$1.8 million for the year ended 31 March 2017. Travelling expenses increased from approximately HK\$0.6 million to approximately HK\$0.8 million for the year ended 31 March 2017 as a result of visiting an overseas exhibition in June 2016. Motor vehicles expenses increased from approximately HK\$0.5 million to approximately HK\$0.6 million for the year ended 31 March 2017 as a result of an additional motor vehicle purchased. There was no material change in other components of the administrative and other expenses which remained stable during the two years ended 31 March 2017.

The Group's administrative and other expenses increased by approximately 44.9% by comparing the four months ended 31 July 2016 and 2017 which was mainly due to the increase in listing expenses from approximately HK\$0.7 million to approximately HK\$2.7 million for the four months ended 31 July 2017. Motor vehicles expenses increased from approximately HK\$0.1 million to approximately HK\$0.2 million for the four months ended 31 July 2017 mainly as a result of the increase in cost at fuel, toll fare, license, car-parking and repair and maintenance of motor vehicle. There was no material change in other components of the administrative and other expenses which remained stable during the four months ended 31 July 2016 and 2017.

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Finance costs

Finance costs represented interest expense of import/export loans and finance lease charges. Bank borrowing facilities bore interest rates of (i) HKD Best Lending Rate; (ii) USD Best Lending Rate; (iii) 0.25% per annum over trade finance interest rate for foreign currency. Finance lease charges were related to certain of the Group's motor vehicles held under finance lease arrangements. The Group's finance costs remained stable during the Track Record Period.

Income tax expense

During the Track Record Period, the Group was subject to profits tax in Hong Kong and Macau complementary tax in Macau. Provision for Hong Kong profits tax was provided at the statutory profit tax rate of 16.5% of the estimated assessable profits for the Track Record Period while Macau complementary tax was calculated at the rate of 12% on the estimated assessable profit during the Track Record Period. The effective tax rate for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017 are approximately 16.6%, 17.7%, 17.9% and 22.6% respectively. The effective tax rate increased for the year ended 31 March 2017 and the four months ended 31 July 2017 mainly because of the increase in listing expenses for the year ended 31 March 2017 and the four months ended 31 July 2017 which was a non-deductible expense for tax purpose.

Profit for the year/period

The Group's results of operation were stable and improved slightly as the profit for the year increased from approximately HK\$13.0 million for the year ended 31 March 2016 to approximately HK\$13.5 million for the year ended 31 March 2017, and increased from approximately HK\$3.3 million for the four months ended 31 July 2016 to approximately HK\$4.6 million for the four months ended 31 July 2017. The growth in profit for the year/period was mainly attributed to the growth of gross profit by approximately HK\$2.3 million between the two years ended 31 March 2017 and by approximately HK\$4.1 million between the four months ended 31 July 2016 and 2017.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth the cash flows for the periods indicated:

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Cash flow generated from operating activities before changes in working capital and tax paid	<u>16,107</u>	<u>17,263</u>	<u>4,229</u>	<u>6,052</u>
Net cash generated from operating activities	8,412	8,130	5,920	2,936
Net cash used in investing activities	(310)	(1,010)	(1,053)	(83)
Net cash (used in)/generated from financing activities	<u>(3,383)</u>	<u>(14,402)</u>	<u>(8,214)</u>	<u>188</u>
Net increase/(decrease) in cash and cash equivalents	4,719	(7,282)	(3,347)	3,041
Cash and cash equivalents at beginning of the year/period	14,885	19,564	19,564	12,218
Effect of foreign exchange rate change	<u>(40)</u>	<u>(64)</u>	<u>(29)</u>	<u>17</u>
Cash and cash equivalents at end of the year/period	<u><u>19,564</u></u>	<u><u>12,218</u></u>	<u><u>16,188</u></u>	<u><u>15,276</u></u>

Net cash generated from operating activities

The net cash generated from operating activities was approximately HK\$8.4 million for the year ended 31 March 2016. The amount was derived from the Group's profit before tax of approximately HK\$15.7 million, adjusted for mainly (i) depreciation charge of approximately HK\$0.3 million; and (ii) finance costs of approximately HK\$0.2 million. Cash outflows used in operating activities include (i) increase in inventories of approximately HK\$5.9 million, which was mainly due to (a) bulk purchase discount offered by Supplier A as the Group purchased 877 items from Supplier A during the calendar year 2015; (b) new models launched by Supplier B; and (c) the purchase of certain inventories specifically for the Shatin-Central Link Project; (ii) increase in other receivables, prepayments and deposits of approximately HK\$5.3 million which was mainly due to the increase in listing expenses prepaid during the year and increase in deposit; and (iii) decrease in amount due to a related company of approximately HK\$1.8 million which was mainly due to the settlement of rental expense to Global Technology. These mentioned cash outflows used in operating activities were mainly set off by the cash inflow generated from operating activities, including the decrease in trade receivables which was mainly due to increase in manpower of the finance and administration department to enhance collection process.

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The net cash generated from operating activities was approximately HK\$8.1 million for the year ended 31 March 2017. The amount was derived from the Group's profit before tax of approximately HK\$16.4 million, adjusted for mainly (i) depreciation charge of approximately HK\$0.4 million; (ii) finance costs of approximately HK\$0.1 million; and (iii) allowance for inventories of approximately HK\$0.3 million. Cash outflows used in operating activities mainly include (i) increase in inventories of approximately HK\$6.0 million, which was mainly due to the new models of Supplier B launched and the promotion offered by Supplier A during the year ended 31 March 2017 (please refer to the paragraph headed "Inventory" in this section for further details); and (ii) increase in trade receivables of approximately HK\$2.2 million, which was mainly for the Shatin-Central Link Project that approximately HK\$6.1 million of revenue was recognised during the year in which approximately HK\$3.6 million had not been settled as at 31 March 2017. These mentioned cash outflows used in operating activities were mainly set off by the cash inflow generated from operating activities, including increase in deferred income which was mainly for the Shatin-Central Link Project that approximately HK\$1.1 million in relation to provision of maintenance and other service packages was recorded as deferred income as at 31 March 2017.

The net cash generated from operating activities was approximately HK\$5.9 million for the four months ended 31 July 2016. The amount was derived from the Group's profit before tax of approximately HK\$4.0 million, adjusted for mainly (i) depreciation charge of approximately HK\$0.1 million; and (ii) finance costs of approximately HK\$63,000. Cash outflows used in operating activities mainly include increase in inventories of approximately HK\$3.9 million, which was mainly due to the launch of Supplier B's new models and the promotion offered by Supplier A during the four months ended 31 July 2016. The above-mentioned cash outflows used in operating activities were mainly set off by the cash inflow generated from operating activities, including (i) increase in trade payables of approximately HK\$3.1 million which was mainly for the increase in the amount due to Supplier A and Supplier B as a result of the increase in purchases; and (ii) decrease in other receivables, prepayments and deposits of approximately HK\$1.6 million.

The net cash generated from operating activities was approximately HK\$2.9 million for the four months ended 31 July 2017. The amount was derived from the Group's profit before tax of approximately HK\$5.9 million, adjusted for mainly (i) depreciation charge of approximately HK\$0.2 million; (ii) reversal of allowance for inventories of approximately HK\$41,000; and (iii) gain on disposals of property, plant and equipment of approximately HK\$0.1 million. Cash outflows used in operating activities mainly include increase in (i) trade receivables of approximately HK\$3.3 million, which was mainly due to the increase in the sales during the four months ended 31 July 2017; and (ii) other receivables, prepayments and deposits of approximately HK\$2.1 million, which was mainly due to the increase in the prepayment of the listing expenses. The above-mentioned cash outflows used in operating activities were mainly set off by the cash inflow generated from operating activities, including the decrease in inventories of approximately HK\$2.7 million, which was mainly as a result of the increase in sales during the four months ended 31 July 2017.

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Net cash used in investing activities

For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, the Group had net cash used in investing activities of approximately HK\$0.3 million, HK\$1.0 million, HK\$1.1 million and HK\$83,000 respectively, representing mainly the (i) purchases of property, plant and equipment; (ii) additions to capitalised software costs; and (iii) proceeds from disposals of property, plant and equipment.

Net cash (used in)/generated from financing activities

For the year ended 31 March 2016, the Group had net cash used in financing activities of approximately HK\$3.4 million, representing mainly (i) the repayments of import/export loans of approximately HK\$9.2 million, offset by the import/export loans raised of approximately HK\$11.1 million; (ii) payments to the owners for the entities now comprising the Group of approximately HK\$36.7 million; (iii) dividends paid to the then equity holders of Power Truth of approximately HK\$21.3 million; and (iv) proceeds from issue of shares by Power Truth of approximately HK\$48.7 million. Power Truth received approximately HK\$34.7 million from the then shareholders and HK\$14.0 million from Super Arena for the issues of shares of Power Truth in 2015. With the funding from the then shareholders in April 2015, Power Truth paid approximately HK\$36.7 million in cash in consideration of Global Technology transferring the shares of various Group's subsidiaries held by Global Technology to Power Truth. Since they had paid a substantial sum to Power Truth, subsequently Power Truth paid out a dividend of approximately HK\$21.3 million.

For the year ended 31 March 2017, the Group had net cash used in financing activities of approximately HK\$14.4 million, representing mainly (i) the repayments of import/export loans of approximately HK\$8.0 million, which is partially offset by import/export loans raised of approximately HK\$6.8 million; (ii) dividends paid to the then equity holders of Power Truth of approximately HK\$5.2 million; and (iii) dividends paid to the equity holders of the Company of approximately HK\$8.0 million.

For the four months ended 31 July 2016, the Group had net cash used in financing activities of approximately HK\$8.2 million, representing mainly (i) the repayments of import/export loans of approximately HK\$2.7 million, which is partially offset by import/export loans of approximately HK\$2.0 million; (ii) dividends paid to the then equity holders of Power Truth of approximately HK\$5.2 million; and (iii) dividends paid to the equity holders of the Company of approximately HK\$2.4 million.

For the four months ended 31 July 2017, the Group had net cash generated from financing activities of approximately HK\$0.2 million, representing mainly the import/export loan of approximately HK\$1.0 million, which was partially offset by the repayment of import/export loans of approximately HK\$0.8 million.

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ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Intangible assets

The Group has applied Hong Kong Accounting Standard 38 “Intangible Assets” (“**HKAS 38**”) issued by the HKICPA which allows internally-generated intangible assets to be capitalised only if it meets the criteria as set out in HKAS 38.

The additions to the capitalised software costs of approximately HK\$165,000, HK\$78,000 and nil for the two years ended 31 March 2017 and for the four months ended 31 July 2017 represent the capitalised cost incurred for development of the SE-bioCom during the period. No capitalised cost for SE-bioCom was amortised for the year ended 31 March 2016 as it was yet to put into sale and generate income during the period. SE-bioCom was put into sale and generated income of approximately HK\$0.2 million and HK\$0.3 million respectively for the year ended 31 March 2017 and for the four months ended 31 July 2017 and approximately HK\$27,000 and HK\$16,000 was amortised respectively.

Inventories

The inventories represent the Group’s merchandises. The inventories increased by 44.4% from approximately HK\$11.9 million as at 31 March 2016 to approximately HK\$17.1 million as at 31 March 2017. The increase in inventories was mainly a result of (i) approximately HK\$4.7 million increase in inventory balance that was purchased from Supplier B; and (ii) approximately HK\$1.4 million increase in inventory balance that was purchased from Supplier Group A. Since Supplier B launched 9 new models during the calendar year 2016, the Group as its exclusive sales distributor purchased certain amount of different models of its products so as to widen the product model base. However, the Group still maintains and purchased old models as there is demand for old models. The number of models purchased from Supplier B has increased from 40 models to 50 models between the two years ended 31 March 2017. As for Supplier A, it offered one-off promotion in June 2016. The Group would be entitled to 30 hand geometry products for free for every 150 hand geometry products purchased. As such, the Group purchased 150 items and obtained 30 free hand geometry products in June 2016.

The inventories decreased by approximately 14.3% or HK\$2.5 million to approximately HK\$14.7 million as at 31 July 2017. The decrease was mainly because the effect on the sales of biometric identification devices from Supplier Group A and Supplier B of approximately HK\$4.4 million was larger than the purchase of biometric identification devices from these two suppliers of approximately HK\$1.8 million for the four months ended 31 July 2017.

The following table sets forth the inventory turnover days (calculated as the average of opening and ending inventory balances for the year/period divided by inventory sold in the cost of sales for the year/period, multiplied by the number of days in the year/period) for the year/period indicated:

	For the year ended		For the four
	31 March		months ended
	2016	2017	31 July
			2017
Inventory turnover days	<u>171.0 days</u>	<u>255.6 days</u>	<u>266.9 days</u>

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In order to secure the supply of goods from Supplier Group A and Supplier B, from time to time the Group discusses with them the procurement plan for up to next 12 months. The Group usually placed orders to Supplier Group A and Supplier B several times in a year after considering the recent sales performance and any discount or promotion offered by each of them. For other products that are not sourced from Supplier Group A or Supplier B, when determining the inventory level of the products, sales forecast, customer orders, historical record, sales pattern of the customers are factors to be considered. Many of the suppliers of the Group are located overseas, delivery lead time for products between order by the Group and delivery by overseas suppliers ranges from approximately 8 to 12 weeks. On the other hand, delivery lead time for products from suppliers located in Hong Kong and the PRC normally takes less than 8 weeks.

The inventory turnover days increased from 171.0 days for the year ended 31 March 2016 to 255.6 days for the year ended 31 March 2017 and increased to 266.9 days for the four months ended 31 July 2017, which was mainly due to the (i) bulk purchase discount and promotion offered by Supplier A; and (ii) new models launched by Supplier B that the product model base was widened. The stock of different models of Supplier B's products which amounted to approximately HK\$6.2 million, HK\$10.9 million and HK\$9.6 million as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively. As new product models may take a longer while to build up market momentum, a higher proportion of these stocks remained unsold as at 31 March 2017 and 31 July 2017. Notwithstanding the aforesaid, in view of the relative long delivery lead time and variety of product ranges, in order to (i) capture customers from different industries; and (ii) provide timely response to customers' need, the Group considers the maintenance of these stocks would consolidate its position as the exclusive distributor of Supplier B's products and confer the Group with long term benefits.

The following table illustrates the ageing analysis of (i) inventories as at 31 March 2016, 31 March 2017 and as at 31 July 2017; and (ii) the subsequent sales of inventories as at 31 July 2017 up to the Latest Practicable Date:

	As at 31 March		As at 31 July		As at 31 July		Subsequent sales of inventory as at 31 July 2017 up to the Latest Practicable Date	
	2016	2017	2017	2017	2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
0-180 days	8,306	70.1	8,405	49.1	3,694	25.2	1,376	24.5
181-365 days	2,292	19.3	4,618	27.0	6,438	43.9	2,453	43.7
Over 365 days	1,255	10.6	4,097	23.9	4,533	30.9	1,783	31.8
	<u>11,853</u>	<u>100.0</u>	<u>17,120</u>	<u>100.0</u>	<u>14,665</u>	<u>100.0</u>	<u>5,612</u>	<u>100.0</u>

Most of the Group's inventories were aged below 180 days as at 31 March 2016. The carrying amount aged over 180 days accounted for 29.9%, 50.9% and 74.8% of the total inventories as at 31 March 2016 and 2017 and 31 July 2017 respectively. The reason for the increase in portion of inventories aged over 180 days as at 31 March 2016 and 2017 and 31 July 2017 was mainly because of (i) the accumulation of Supplier B's products due to the increase in model number during the two years ended 31 March 2017; (ii) the increase in purchase of certain biometrics identification device to enjoy the promotion by Supplier A as mentioned above as well as the bulk purchase discount offered by

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Supplier A during the two years ended 31 March 2017. In relation to the bulk purchase discount offered by Supplier A, 2.8% discount will be offered to the Group for purchase of 700 items per calendar year. The Group purchased 877 items from Supplier A in calendar year 2015 and obtained the 2.8% discount. The Group purchased less than 700 items in calendar year 2016 and did not enjoy the bulk purchase discount. Some of these mentioned items purchased from Supplier A and Supplier B remained unsold as at 31 March 2017 and 31 July 2017. As at 31 March 2016 and 2017 and 31 July 2017, the carrying amount of the Supplier B's inventories aged over 180 days was approximately HK\$2.5 million, HK\$5.5 million and HK\$7.1 million respectively while the carrying amount of the Supplier Group A's inventories aged over 180 days was approximately HK\$0.4 million, HK\$2.6 million and HK\$3.3 million as at 31 March 2016 and 2017 and 31 July 2017 respectively.

Allowance for inventories is made based on the ageing, change in the market conditions and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

For the year ended 31 March 2017, the Group made allowance of inventories of (i) approximately HK\$0.2 million for inventories that aged over 365 days with no sales in the past year and subsequently; and (ii) approximately HK\$0.1 million which was procured previously for facilitating its construction customers in using CRMS. As CRMS is substituted by CWRS which has been fully implemented from September 2017, the Group considered that the net realizable value of these inventories will be decreased to zero and allowance is made accordingly. No allowance of inventory was made for the year ended 31 March 2016 and the four months ended 31 July 2017. There were reversal for inventories of nil, nil and approximately HK\$41,000 during the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 respectively. The reversal for inventories for the four months ended 31 July 2017 was mainly due to sales of the impaired inventories. Although it is the nature of the Group's products that the Group may face increasing competition from technologies currently under development or which may be developed in the future, as at the Latest Practicable Date the Group was not aware of any new technology prevailing in the commercial market that will significantly affect and replace the biometrics identification technology needed for the devices sold by the Group, being face, iris, fingerprint, hand geometry and finger vein identification. As at 31 July 2017, there were 39 models in the Group's inventory with aggregate value exceeding HK\$0.1 million for each model. These 39 models accounted for over 80.0% of the total inventory in terms of value (the **"Selected Inventories"**). The length of the product life cycle of the Selected Inventories is assumed to start from the year the products were launched/published/available for purchase to the year that its supplier discontinued to sell the products. As at 31 July 2017, 33 out of 39 models of the Selected Inventories were available to be ordered from the suppliers, and the length of their product life cycles mainly ranged from 5 years to 21 years since the launch of the products. As at 31 July 2017, 6 models out of 39 models of the Selected Inventories were discontinued and not available to be ordered from Supplier B, and their product life cycles ranged from about 5 to 10 years, considering from the launch of the products to the discontinuation of the products. The discontinuation of products was mainly due to Supplier B's internal decision. As a result, Supplier B launched newer models in order to fulfill the market demand of these discontinued models. The sales of these discontinued models for the two years ended 31 March 2017 and the four months ended 31 July 2017 were approximately of HK\$1.1 million, HK\$0.5 million, HK\$0.5 million respectively. The inventories of these discontinued models as at 31 March 2016 and 31 March 2017 and 31 July 2017 were approximately HK\$1.0 million, HK\$1.3 million and HK\$1.1 million

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respectively. Supplier B confirmed to provide repair services in relation to these discontinued models until December 2019 and February 2020 respectively. Due to (i) the fact that there is no indication that new technology prevailing in the commercial market will significantly affect and replace the biometrics identification technology needed for the devices sold by the Group; (ii) the inventories were not obsolete; (iii) the continuing provision of repair services from Supplier B for its 6 discontinued models; (iv) the gross profit margin of the subsequent sales of the inventories aged over 365 days was similar to the Group's gross profit margin during the Track Record Period; and (v) approximately 38.3% of inventories as at 31 July 2017 had been sold up to the Latest Practicable Date which covers a period of about six months, the Directors are of the view that the allowance for inventories of approximately nil, HK\$0.3 million and nil provided for the years ended 31 March 2016 and 2017 and for the four months ended 31 July 2017 respectively, is adequate and no additional allowance for inventories is necessary.

As at the Latest Practicable Date, approximately HK\$5.6 million, representing approximately 38.3%, of the inventories as at 31 July 2017, were subsequently sold.

Trade receivables

Trade receivables represent the amount due from the Group's customers for the Group's revenue. The trade receivables increased from approximately HK\$8.6 million as at 31 March 2016 to approximately HK\$10.7 million as at 31 March 2017, representing an increase of approximately 24.6%. Such increase was mainly because of the Shatin-Central Link Project that approximately HK\$6.1 million of revenue was recognised during the year in which approximately HK\$3.6 million of trade receivables had not been settled as at 31 March 2017 due to the long billing approval process of the complex project. Trade receivables further increased to approximately HK\$14.1 million as at 31 July 2017, representing an increase of approximately 30.9%. Such increase was mainly due to increase in sales during the four months ended 31 July 2017 as a result of the implementation of CWRS. The payment term for the sales of biometrics identification solutions/devices ranges from payment in advance to 90 days credit. The payment term for maintenance service is generally payment in advance. The following table sets forth the debtors' turnover days of the trade receivables (calculated as the average of beginning and ending trade receivables balances for the year/period divided by revenue for the year/period, multiplied by the number of the days in the year/period) for the year/period indicated:

	For the year ended		For the four
	31 March		months ended
	2016	2017	31 July
			2017
Debtors' turnover days	<u>76.4 days</u>	<u>55.6 days</u>	<u>62.0 days</u>

The debtors' turnover days decreased from approximately 76.4 days for the year ended 31 March 2016 to approximately 55.6 days for the year ended 31 March 2017. The decrease in debtors' turnover days during the two years ended 31 March 2017 was mainly because the trade receivable collection process was accelerated due to the increase in manpower of the finance and administration department from 12 staff in average during the year ended 31 March 2016 to 14 staff in average during the year ended 31 March 2017. The debtors' turnover days increased to approximately 62.0 days for the four months ended 31 July 2017. Such increase was mainly due to the increase in trade receivables balance as at 31 July 2017 as a result of the implementation of CWRS.

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The following table illustrates the ageing analysis of (i) trade receivables, based on the invoice date, as at the end of each of the reporting period; and (ii) subsequent settlement of trade receivables as at 31 July 2017 up to the Latest Practicable Date:

	As at 31 March				As at 31 July		Subsequent settlement of trade receivables as at 31 July 2017 up to the Latest Practicable Date	
	2016		2017		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
0-90 days	6,853	79.5	6,988	65.1	10,970	78.0	10,497	87.5
91-180 days	997	11.6	3,547	33.0	2,089	14.9	1,324	11.0
181-365 days	532	6.1	119	1.1	994	7.0	165	1.4
Over 365 days	242	2.8	88	0.8	13	0.1	9	0.1
	<u>8,624</u>	<u>100.0</u>	<u>10,742</u>	<u>100.0</u>	<u>14,066</u>	<u>100.0</u>	<u>11,995</u>	<u>100.0</u>

As at 31 March 2016 and 2017 and 31 July 2017, approximately 20.5%, 34.9% and 22.0% of the trade receivables were aged over 90 days respectively, while as at 31 July 2017, approximately 14.9% of the trade receivables were aged between 91 to 180 days. The percentage of trade receivables that aged between 91 and 180 days decreased mainly due to the partial settlement of approximately HK\$1.8 million received in relation to the Shatin-Central Link Project during the four months ended 31 July 2017.

No impairment of trade receivables was made during the Track Record Period. The Group has reviewed the payment history of the long-aged receivables and no impairment is considered necessary.

Up to the Latest Practicable Date, approximately HK\$12.0 million of trade receivables, representing approximately 85.3% of the Group's trade receivables as at 31 July 2017 has been subsequently settled.

Other receivables, prepayments and deposits

The following table sets forth the breakdown of other receivables, prepayments and deposits as at the end of each reporting period:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Deposits	2,009	1,400	1,484
Prepayments	3,818	3,811	5,895
Value-added tax receivables	539	427	309
Others	<u>5</u>	<u>—</u>	<u>12</u>
	<u>6,371</u>	<u>5,638</u>	<u>7,700</u>

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Deposits mainly represent utility deposits, rental deposits and trade deposits while prepayments were made mainly for listing expenses, overseas travelling expenses and insurance expense. Deposits decreased from approximately HK\$2.0 million as at 31 March 2016 to HK\$1.4 million as at 31 March 2017 mainly because gates from Supplier E were ordered near the year end of the year ended 31 March 2016 and they were delivered during the year ended 31 March 2017. Prepayments increased from approximately HK\$3.8 million as at 31 March 2017 to HK\$5.9 million as at 31 July 2017 which was mainly because of the prepayment of listing expenses.

Trade payables

Trade payables represent the balance due to the Group's suppliers and subcontractors. The balance increased from approximately HK\$1.4 million as at 31 March 2016 to HK\$2.1 million as at 31 March 2017 which was mainly due to the increase in purchase near the financial year end. The balance decreased from approximately HK\$2.1 million as at 31 March 2017 to HK\$1.5 million as at 31 July 2017 which was mainly due to decrease in amount due to Supplier Group F of approximately HK\$0.5 million as a result of the decrease in purchase with Supplier Group F. The following table sets forth the creditors' turnover days (calculated as the average of beginning and ending total trade payable balances for the year/period divided by cost of inventories sold and subcontracting charge for the year/period, multiplied by the number of the days in the year/period) for the year/period indicated:

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
Creditors' turnover days	<u>26.0 days</u>	<u>29.5 days</u>	<u>28.8 days</u>

The credit term granted by the Group's suppliers is in advance to 60 days in general. The creditors' turnover days during the Track Record Period was within the general credit term.

Approximately HK\$1.5 million of trade payables, representing approximately 99.3% of the Group's trade payables as at 31 July 2017 had been subsequently settled up to the Latest Practicable Date.

Other payables, deposits received and accrued expenses

The following table sets forth the breakdown of other payables, deposits received and accrued expenses as at the end of each reporting period:

	As at 31 March 2016	2017	As at 31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Deposits received from customers	1,239	1,117	933
Accruals for operations	2,552	2,786	3,754
Dividends payable	5,165	—	—
Others	<u>9</u>	<u>—</u>	<u>—</u>
	<u>8,965</u>	<u>3,903</u>	<u>4,687</u>

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During the two years ended 31 March 2017, deposits received from customers remained stable. Accruals for operations mainly represent accrued expenses for staff cost and audit fee, which also remained stable. Dividends payable of HK\$5.2 million as at 31 March 2016 represent the unpaid dividends declared by members of the Group. The decrease in other payables, deposits received and accrued expenses of approximately 56.5 % was mainly because the dividends payable as at 31 March 2016 were paid during the year ended 31 March 2017 and no dividend payable was recorded as at 31 March 2017.

Deposits received from customers decreased by approximately 16.5% to approximately HK\$0.9 million as at 31 July 2017 which was mainly due to the delivery of products to the customers. Accruals for operations mainly represent accrued expenses for staff cost and audit fee, which increased by approximately 34.7% to approximately HK\$3.8 million as a result of the increase in staff salaries and bonus by approximately HK\$1.0 million which were paid in August 2017. No dividend payable was recorded as at 31 July 2017.

Balances with Directors and related parties

As at the end of each reporting period, the Group had the following balances with Directors and related parties:

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Amount due from a director			
Mr. Tony Yuen	159	—	—
Amount due from a corporate shareholder			
Super Arena	4	—	—

The amount due from a director, Mr. Tony Yuen, as at 31 March 2016 mainly represents fund advanced to a director while amount due from Super Arena as at 31 March 2016 arose as a result of expense paid on behalf of Super Arena in relation to administrative fee.

All balances with directors and related companies are unsecured, interest-free and repayable on demand. There was no balance between the Group and the Directors and related parties as at 31 March 2017 and as at 31 July 2017.

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NET CURRENT ASSETS

The following table sets forth the breakdown of the Group's current assets and current liabilities as at 31 March 2016, 31 March 2017, 31 July 2017 and 30 November 2017.

	As at 31 March		As at 31 July 2017	As at 30 November 2017 (unaudited)
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Inventories	11,853	17,120	14,665	16,039
Trade receivables	8,624	10,742	14,066	13,915
Other receivables, prepayments and deposits	6,371	5,638	7,700	6,519
Amount due from a Director	159	—	—	—
Amount due from a corporate shareholder	4	—	—	—
Bank and cash balances	<u>19,564</u>	<u>12,218</u>	<u>15,276</u>	<u>21,035</u>
	<u>46,575</u>	<u>45,718</u>	<u>51,707</u>	<u>57,508</u>
Current liabilities				
Trade payables	1,363	2,132	1,491	2,013
Other payables, deposits received and accrued expenses	8,965	3,903	4,687	5,415
Deferred income	3,603	4,447	3,992	3,853
Bank borrowings	2,734	1,450	1,660	1,188
Finance lease payables	116	44	22	—
Current tax liabilities	<u>1,097</u>	<u>442</u>	<u>1,783</u>	<u>3,093</u>
	<u>17,878</u>	<u>12,418</u>	<u>13,635</u>	<u>15,562</u>
Net current assets	<u>28,697</u>	<u>33,300</u>	<u>38,072</u>	<u>41,946</u>

The net current assets increased from approximately HK\$28.7 million as at 31 March 2016 to HK\$33.3 million as at 31 March 2017 mainly due to the net of: (i) improvement of results of operation during the financial year; and (ii) dividends of approximately HK\$8 million paid to the equity holders of the Company during the year. The net current assets further increased to approximately HK\$38.1 million as at 31 July 2017 which was primarily due to the increase in trade receivables and bank and cash balances as a result of the operational profits of the Group for the four months ended 31 July 2017, which was partially offset by an increase in the respective provision of income tax. The net current assets further increased to approximately HK\$41.9 million as at 30 November 2017 which was mainly due to the increase in bank and cash balances as a result of operation during the four months ended 30 November 2017.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 36 of the Accountants' Report in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business. The Directors consider that these related party transactions would not distort the Group's results during the Track Record Period, and would not make the Group's historical results not reflective of its future performance.

The Group has engaged the Property Valuer, an independent property valuer, and a view that the rental expenses paid to Global Technology during the Track Record Period were at market rates, the terms of the tenancy were on normal commercial terms or better to the Group and were fair and reasonable and in the interests of the Company and the Shareholders as a whole was given.

SUFFICIENCY OF WORKING CAPITAL

The Directors confirm that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Share Offer and cash flows from operations.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates below including 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus.

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000
Bank borrowings				
Import/Export loans	<u>2,734</u>	<u>1,450</u>	<u>1,660</u>	<u>1,188</u>
Obligations under finance lease	<u>160</u>	<u>44</u>	<u>22</u>	<u>—</u>

Bank borrowings

The Group raised bank borrowings to finance its working capital. As at 31 March 2016, 31 March 2017 and as at 31 July 2017, the Group had total bank borrowings of approximately HK\$2.7 million, HK\$1.5 million and HK\$1.7 million respectively. The Group had less bank borrowings as at 31 March 2017 mainly because of the settlement made near the year ended 31 March 2017. As compared with that of 31 March 2017, the balance of bank borrowings increased slightly to approximately HK\$1.7 million as at 31 July 2017 and decreased to approximately HK\$1.2 million as at 30 November 2017 which was mainly because of the settlement made during the four months ended 30 November 2017. As at 31 March 2016, these bank borrowings were secured by (i) registered security over deposit of SE Technology and SE Engineering; (ii) unlimited guarantee from Mr. Tony Yuen; (iii) unlimited guarantee

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from Mr. Jackson Yuen, (iv) guarantee to the extent of HK\$5 million provided by Hung Kee Enterprise Limited, a former related company of the Group; (v) an unlimited guarantee among Global Technology, SE Technology and SE Engineering; (vi) Global Technology's property. As at 31 March 2017 and 31 July 2017, these banking borrowings were secured by (i) registered security over deposit of SE Technology and SE Engineering; (ii) unlimited guarantee from Mr. Tony Yuen; and (iii) an unlimited guarantee among SE Technology and SE Engineering. The Group's bank borrowings carried interest of (i) the relevant bank's HKD best lending rate for HKD; (ii) the relevant bank's USD best lending rate for USD; or (iii) 0.25% per annum over the bank's trade finance interest rate for foreign currency. As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group had undrawn facilities of approximately HK\$2.3 million, HK\$3.6 million and HK\$3.3 million respectively. As at 30 November 2017, the undrawn facilities was approximately HK\$3.8 million.

The guarantees from Mr. Tony Yuen will be released before/upon Listing.

The Group implemented enhanced internal controls to monitor its compliance with banking covenants in April 2017. The financial controller of the Group is responsible for monitoring the Group's bank balance to ensure compliance with the financial covenant of banking facilities. The finance and administration department regularly monitors the Group's bank balance and makes assessment if cash flow is sufficient to meet its debt obligations and the compliance with any of those covenants. In addition, the finance manager of the Group prepares monthly summary of the Group's bank balances for the financial controller to review. The financial controller acknowledges the monthly summary with signature and monitors the fulfillment of the financial covenants of banking facilities.

Obligations under finance lease

The Group had certain motor vehicles acquired under finance leases which had no carrying value during the Track Record Period. The average lease terms are 4.5 years. The finance leases carry interest at the rate per annum of 3.73%.

Contingent liabilities

As at 30 November 2017, being that latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein and apart from normal trade and other payables and tax payable, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 30 November 2017.

The Directors have confirmed that there has not been any material change in the indebtedness, capital commitment and contingent liabilities of the Group since 30 November 2017.

CAPITAL COMMITMENT

At the close of business on 31 July 2017, the Group had no capital commitments.

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CAPITAL EXPENDITURES

The following table sets out the Group's capital expenditures for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017. The capital expenditures were funded out of the Group's internal resources.

	For the year ended 31 March		For the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Property, plant and equipment				
Furniture and fixtures	—	14	14	50
Motor vehicles	—	972	972	—
Computer equipment	<u>148</u>	<u>16</u>	<u>16</u>	<u>134</u>
	148	1,002	1,002	184
Intangible assets				
Capitalised software costs	<u>165</u>	<u>78</u>	<u>52</u>	<u>—</u>
	<u>313</u>	<u>1,080</u>	<u>1,054</u>	<u>184</u>

The following table sets forth the Group's expected capital expenditure for the years ending 31 March 2018 and 31 March 2019:

	For the year ending 31 March	
	2018	2019
	HK\$'000	HK\$'000
Property, plant and equipment		
Furniture and fixtures	50	1,600
Computers equipment	151	2,600
Motor vehicle	465	200
Moulds	<u>—</u>	<u>600</u>
	<u>666</u>	<u>5,000</u>

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OTHER KEY FINANCIAL RATIOS

	As at/For the year ended		As at/ For the period ended
	31 March		31 July
	2016	2017	2017
Revenue growth ¹	N/A	7.5%	21.4%
Net profit growth ²	N/A	3.6%	39.1%
Gross margin ³	60.4%	59.8%	62.4%
Net profit margin before interest and tax ⁴	26.8%	26.1%	24.4%
Net profit margin ⁵	22.1%	21.3%	18.9%
Return on equity ⁶	44.8%	39.5%	11.8%
Return on assets ⁷	27.7%	28.9%	8.7%
Current ratio ⁸	2.6 times	3.7 times	3.8 times
Gearing ratio ⁹	9.9%	4.4%	4.3%
Debt to equity ratio ¹⁰	0%	0%	0%
Interest coverage ¹¹	95.9 times	116.7 times	298.3 times

Notes:

1. Revenue growth is calculated as the year-on-year/period-on-period growth rate of revenue
2. Net profit growth is calculated as the year-on-year/period-on-period growth rate of net profit
3. Gross margin is calculated as the gross profit divided by revenue
4. Net profit margin before interest and tax is calculated as the profit before interest and tax divided by revenue
5. Net profit margin is calculated as the profit for the year/period divided by revenue
6. Return on equity is calculated as the profit for the year/period divided by total equity
7. Return on assets is calculated as the profit for the year/period divided by total assets
8. Current ratio is calculated as the current assets divided by current liabilities
9. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes bank borrowings and finance lease obligations
10. Debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debt includes bank borrowings and finance lease obligations
11. Interest coverage is calculated as the profit before interest and tax divided by finance costs

Revenue growth

Revenue of the Group increased slightly by approximately 7.5% from approximately HK\$59.1 million for the year ended 31 March 2016 to approximately HK\$63.5 million for the year ended 31 March 2017. Revenue from the sales of products remained stable while approximately 20.5% increase in provision of auxiliary and other services was mainly due to the increase in services income of approximately 23.0% for the year ended 31 March 2017. Such increase was mainly as a result of (i) the provision of service in relation to the Shatin-Central Link Project that approximately HK\$2.4 million was recognised for the year ended 31 March 2017; and (ii) the provision of tailor-made software mainly in relation to design and implementation of a limousine tracking system to a customer that approximately HK\$0.8 million was recognised for the year ended 31 March 2017.

The Group recorded revenue of approximately HK\$24.4 million for the four months ended 31 July 2017, representing an increase of approximately HK\$4.3 million, or 21.4% from approximately HK\$20.1 million for the four months ended 31 July 2016. Revenue from the sales of products increased by

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approximately 15.9% which was mainly due to increase in the sales of handheld devices of approximately 692.2% as a result of the implementation of CWRS that more android mobile devices were required by the customers so as to access CWRS. Approximately 33.7% increase in the provision of auxiliary and other services was mainly due to (i) the increase in software licensing income of approximately 76.6% for the four months ended 31 July 2017 mainly resulting from increase in license income of approximately 382.5% for the licenses required in relation to the implementation of CWRS; and (ii) the increase in service income of approximately 32.3% for the four months ended 31 July 2017. The increase in service income was mainly as a result of (i) services provided for upgrading systems and other related services in compatible with CWRS; and (ii) the provision of tailor-made solution in relation to design and implementation of a patrol system to a customer that approximately HK\$0.6 million was recognised for the four months ended 31 July 2017.

Net profit growth

The Group has experienced a net profit growth of approximately 3.6% for the years ended 31 March 2017. The growth in net profit was mainly attributed to the growth of gross profit by approximately HK\$2.3 million between the two years ended 31 March 2017.

The Group has experienced a net profit growth of approximately 39.1% for the four months ended 31 July 2017. The growth in net profit was mainly attributed to the growth of gross profit by approximately HK\$4.1 million between the four months ended 31 July 2017.

Gross margin

The overall gross profit margin remained stable at approximately 60.4%, 59.8% and 62.4% respectively, for the two years ended 31 March 2017 and the four months ended 31 July 2017.

Net profit margin before interest and tax

The net profit margin before interest and tax for the year ended 31 March 2016 and 2017 remained stable at approximately 26.8% and 26.1% respectively.

The slight decrease in net profit margin before interest and tax for the four months ended 31 July 2017 was due to the recognition of listing expense despite the increase in gross profit margin.

Net profit margin

The Group's net profit margin remained stable at approximately 22.1% and 21.3% during the two years ended 31 March 2017 while the Group's net profit margin decreased to approximately 18.9% which was due to the abovementioned recognition of listing expenses and the increase in income tax expense of approximately HK\$0.6 million.

Return on equity

The Group's return on equity decreased from approximately 44.8% for the year ended 31 March 2016 to 39.5% for the year ended 31 March 2017. The decrease was mainly due to the increase in total equity by approximately HK\$5.1 million being the Group's total comprehensive income made for the year of approximately HK\$13.1 million offset by the dividends payment of approximately HK\$8.0

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million to the equity holders of the Company during the year ended 31 March 2017, which increased from approximately HK\$29.1 million as at 31 March 2016 to approximately HK\$34.2 million as at 31 March 2017.

The substantial decrease in return on equity for the four months ended 31 July 2017 as compared to the same ratio for the year ended 31 March 2017 was mainly due to the decrease in net profit margin during the period and the fact that only the results of operation for the four months ended 31 July 2017 were taken into account.

Return on assets

The Group's return on assets increased from approximately 27.7% for the year ended 31 March 2016 to approximately 28.9% for the year ended 31 March 2017 mainly due to the increase in profit for the year while the Group's total assets decreased slightly during the year ended 31 March 2017.

The substantial decrease in return on assets for the four months ended 31 July 2017 as compared to the same ratio for the year ended 31 March 2017 was mainly due to the recognition of listing expenses and the fact that only the results of operation for the four months ended 31 July 2017 were taken into account.

Current ratio

The Group's current ratio improved from approximately 2.6 times as at 31 March 2016 to 3.7 times as at 31 March 2017 which was due to the decrease in other payables, deposits received and accrued expenses. The Group's current ratio remained stable at approximately 3.8 times as at 31 July 2017.

Gearing ratio

The Group's gearing ratio dropped from approximately 9.9% as at 31 March 2016 to approximately 4.4% as at 31 March 2017 due to (i) the decrease in bank borrowings from approximately HK\$2.7 million as at 31 March 2016 to approximately HK\$1.5 million as at 31 March 2017; and (ii) the increase in the total equity during the period. The Group's gearing ratio remained stable at approximately 4.3% as at 31 July 2017.

Debt to equity ratio

As at 31 March 2016 and 31 March 2017 and 31 July 2017, the bank and cash balances were larger than the debts involved, as such, the debt to equity ratio was 0% respectively.

Interest coverage

The Group's interest coverage increased from approximately 95.9 times for the year ended 31 March 2016 to approximately 116.7 times for the year ended 31 March 2017, mainly due to (i) the increase in the profit before interest and taxation; and (ii) the decrease in finance costs from approximately HK\$0.2 million for the year ended 31 March 2016 to approximately HK\$0.1 million for the year ended 31 March 2017.

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The Group's interest coverage increased from approximately 65.0 times for the four months ended 31 July 2016 to approximately 298.3 times for the four months ended 31 July 2017, mainly due to (i) the increase in the profit before interest and taxation; and (ii) the decrease in finance costs from approximately HK\$63,000 for the four months ended 31 July 2016 to approximately HK\$20,000 for the four months ended 31 July 2017.

DIVIDEND

Dividends may be paid out by way of cash or by other means that the Group considers appropriate. The Group does not have any predetermined dividend payout ratio. Declaration and payment of any dividends would require the recommendation of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Company; and other factors the Board may deem relevant.

Power Truth received approximately HK\$34.7 million from the then shareholders and HK\$14.0 million from Super Arena for the issues of shares of Power Truth in 2015. Since they had paid a substantial sum to Power Truth, subsequently Power Truth declared dividend of approximately HK\$26.5 million during the year ended 31 March 2016, out of which approximately HK\$21.3 million and HK\$5.2 million was paid in the year ended 31 March 2016 and 2017 respectively. Other than interim dividends of approximately HK\$26.5 million declared by Power Truth during the year ended 31 March 2016 and interim dividends totalling HK\$8.0 million declared by the Company during the year ended 31 March 2017, no dividend had been declared or paid by the Group during the Track Record Period. The interim dividends of approximately HK\$26.5 million were settled by the Group from May 2015 to July 2016 while the interim dividends of approximately HK\$8.0 million were settled by the Group during the year ended 31 March 2017, using internally generated funds. The Company does not have any predetermined dividend payout ratio. However, there will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash 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 bank borrowings, finance lease payables and other 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.

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Specifically, for the bank loans which contain repayment on demand clause that can be exercised at the lenders' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the outstanding amounts with immediate effect. The maturity analysis for other borrowings and payables are prepared based on the scheduled repayment dates.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
As at 31 July 2017				
<i>Financial liabilities subject to a repayment on demand clause</i>				
Bank borrowings	1,660	—	—	—
<i>Financial liabilities not subject to a repayment on demand clause</i>				
Trade payables	—	1,491	—	—
Other payables, deposits received and accrued expenses	—	3,754	—	—
Finance lease payables	—	22	—	—
At 31 March 2017				
<i>Financial liabilities subject to a repayment on demand clause</i>				
Bank borrowings	1,450	—	—	—
<i>Financial liabilities not subject to a repayment on demand clause</i>				
Trade payables	—	2,132	—	—
Other payables, deposits received and accrued expenses	—	2,786	—	—
Finance lease payables	—	44	—	—

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	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At 31 March 2016				
<i>Financial liabilities subject to a repayment on demand clause</i>				
Bank borrowings	2,734	—	—	—
<i>Financial liabilities not subject to a repayment on demand clause</i>				
Trade payables	—	1,363	—	—
Other payables, deposits received and accrued expenses	—	7,726	—	—
Finance lease payables	—	120	44	—

Pursuant to one of the undertakings of the banking facility dated 16 January 2017, the Group has to maintain a sum of cash or investment balance for at least HK\$5 million in the bank at all times under all companies of the listing group. However, the bank balance of the Group was approximately HK\$4.2 million as at 31 March 2017, accordingly the Group breached one of the undertakings of the banking facility due to the administrative oversight of the finance and administration department. The Group restored the required cash level and fulfilled the undertaking requirement on 21 April 2017. Up to the Latest Practicable Date, the relevant bank did not indicate to change or terminate the existing banking facility or loan arrangement.

Interest rate risk

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These bank deposits and borrowings bear interests at floating rates varied with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities during the Track Record Period, its income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The carrying amounts of trade receivables, other receivables, amounts due from related companies, amounts due from directors, amount due from a corporate shareholder and bank balances included in the combined statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has no concentration of credit risk.

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The Group has policies in place to ensure that credit terms are granted to customers with an appropriate credit history. The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the Directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on amounts due from related companies, directors and a corporate shareholder are considerably to be low as they are closely monitored by the management.

Foreign currency risk

The functional currencies of the Group's entities are principally denominated in HK\$, RMB and MOP (collectively referred to as "Functional Currencies"). The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of respective Group's entities such as USD, RMB and EURO (collectively referred to as "Foreign Currencies").

The Group's exposure to foreign exchange rate movements mainly arise from its purchases from overseas suppliers which require settlements in Foreign Currencies. Foreign exchange rate fluctuations between the Functional Currencies and Foreign Currencies could impact the Group's profit or loss and result of operations.

During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group did not enter into any foreign exchange forward contract to hedge against its foreign exchange exposure as the Directors are of the opinion that the foreign exchange exposure is insignificant to the Group after taking into account of the following:

- (i) HK\$ is pegged against the USD and MOP and therefore the risk of movements in exchange rates between which is insignificant to the Group;
- (ii) the Group's purchases which require settlements in EURO is insignificant to the Group. During the two years ended 31 March 2017 and the four months ended 31 July 2017, the Group's purchases denominated in EURO represented approximately 6%, 4% and 3.1% of the Group's total purchases respectively;
- (iii) the results obtained from sensitivity analysis of the Group's foreign currency risk exposure of RMB were approximately HK\$26,000, HK\$6,000 and HK\$5,000 for the two years ended 31 March 2017 and the four months ended 31 July 2017 respectively, which impact are insignificant to the Group; and
- (iv) during the two years ended 31 March 2017 and for the four months ended 31 July 2017, the Group incurred net foreign exchange losses of approximately HK\$149,000, HK\$18,000 and foreign exchange gain of approximately HK\$13,000 respectively.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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Sensitivity analysis of cost of sales

The following table illustrates the sensitivity of the Group's gross profit and net profit to the average cost of sales for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017. The change in income tax is calculated by using the effective tax rate for the Track Record Period. It is assumed that all income and expenses other than cost of sales and income tax expense, remain unchanged.

	For the year ended 31 March		For the four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Percentage change in cost of sales	+/-9%	+/-9%	+/-9%	+/-9%
Impact on gross profit	-/+2,104	-/+2,295	-/+810	-/+825
Percentage change in gross profit	-/+5.9%	-/+6.0%	-/+7.3%	-/+5.4%
Impact on net profit	-/+1,754	-/+1,890	-/+665	-/+639
Percentage change in net profit	-/+13.4%	-/+14.0%	-/+20.1%	-/+13.9%

If the cost of sales increased by 9%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 would have been approximately HK\$33.6 million, HK\$35.7 million, HK\$10.3 million and HK\$14.4 million respectively.

If the cost of sales decreased by 9%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 would have been approximately HK\$37.8 million, HK\$40.3 million, HK\$11.9 million and HK\$16.1 million respectively.

Breakeven analysis

For the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017, if the cost of sales increased by 67.0%, 64.4%, 44.8% and 64.8% respectively, assuming all other costs, expenses and income remain unchanged, the Group's gross profit would have dropped to approximately HK\$20.0 million, HK\$21.6 million, HK\$7.1 million and HK\$9.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017.

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Sensitivity analysis of selling price

The following table illustrates the sensitivity of the Group's gross profit and net profit to the selling price for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017. The change in income tax is calculated by using the effective tax rate for the Track Record Period. It is assumed that all income and expenses other than revenue and income tax expenses, remain unchanged.

	For the year ended 31 March		For the four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Percentage change in average selling price	+/-7.5%	+/-7.5%	+/-7.5%	+/-7.5%
Impact on gross profit	+/-4,430	+/-4,764	+/-1,508	+/-1,830
Percentage change in gross profit	+/-12.4%	+/-12.5%	+/-13.6%	+/-12.0%
Impact on net profit	+/-3,693	+/-3,922	+/-1,237	+/-1,417
Percentage change in net profit	+/-28.3%	+/-29.0%	+/-37.4%	+/-30.8%

If the average selling price increased by 7.5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 would have been approximately HK\$40.1 million, HK\$42.8 million, HK\$12.6 million and HK\$17.1 million respectively.

If the average selling price decreased by 7.5%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 would have been approximately HK\$31.3 million, HK\$33.3 million, HK\$9.6 million and HK\$13.4 million respectively.

Breakeven analysis

If the average selling price dropped by 26.5%, 25.9%, 20.1% and 24.4%, assuming all other costs, expenses and income remain unchanged, the Group's gross profit for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017 would have dropped to approximately HK\$20.0 million, HK\$21.6 million, HK\$7.1 million and HK\$9.3 million respectively, and the net profit would have dropped to approximately HK\$0 million for the two years ended 31 March 2017 and the four months ended 31 July 2016 and 2017.

DISTRIBUTABLE RESERVES

As at 31 July 2017, the Company had no reserves available for distribution to the Shareholders.

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UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Share Offer on the combined net tangible assets of the Group as at 31 July 2017 as if it had taken place on 31 July 2017.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 31 July 2017 or as at any future dates.

For illustrative purpose only, the pro forma financial information prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Share Offer had the Share Offer been completed on 31 July 2017.

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 July 2017. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to owners of the Company as of 31 July 2017 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share (Note 3) HK\$
Based on the low-end of the indicative Offer Price of HK\$0.27 per Share	<u>38,817</u>	<u>38,290</u>	<u>77,107</u>	<u>0.10</u>
Based on the high-end of the indicative Offer Price of HK\$0.35 per Share	<u>38,817</u>	<u>53,650</u>	<u>92,467</u>	<u>0.12</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as of 31 July 2017 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 31 July 2017 of approximately HK\$39,017,000 with an adjustment for the intangible assets as at 31 July 2017 of approximately HK\$200,000.

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- (2) The adjustment to the pro forma statement of combined net tangible assets reflects the estimated proceeds from the Share Offer to be received by the Company. The estimated proceeds from the Share Offer is based on the Offer Price of HK\$0.27 and HK\$0.35, respectively, being the low-end and high-end price of the stated Offer Price range, and 200,000,000 Shares, net of underwriting fee and other estimated issue expenses (taking into account the effect of listing-related expenses which have been accounted for prior to 31 July 2017) payable of approximately HK\$15.7 million and HK\$16.4 million respectively, and takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
- (3) The unaudited pro forma adjusted combined net tangible assets and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are expected to be in issue following the Share Offer (including 200,000,000 Shares newly issued upon the Share Offer) had been completed on 31 July 2017 and respective Offer Price of HK\$0.27 and HK\$0.35 per Share and takes no accounts of (i) any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option; and (ii) the number of share options that may be vested and may become exercisable upon the date of the Listing under the Share Option Scheme.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.

Disclosure relating to Rules 17.15 to 17.21 of the GEM Listing Rules

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group after the date of this prospectus (being the date to which the latest audited combined financial statements of the Group were made up).

UNDERWRITING

UNDERWRITERS

Joint Bookrunners

Ample Orient Capital Limited
Pacific Foundation Securities Limited

Joint Lead Managers

Ample Orient Capital Limited
Pacific Foundation Securities Limited

Co-Lead Managers

HF Securities and Futures Limited
AFG Securities Limited

Public Offer Underwriters

Ample Orient Capital Limited
Pacific Foundation Securities Limited
HF Securities and Futures Limited
AFG Securities Limited

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Pursuant to the Public Offer Underwriting Agreement, the Company has agreed to offer 20,000,000 Public Offer Shares at the Offer Price under the Public Offer for subscription by in Hong Kong on and subject to the terms and conditions set forth in this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for the Public Offer Shares being offered on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

UNDERWRITING

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) has the right, in their sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if they see fit upon the occurrence of, but not limited to any of the following events:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms and/or any announcements issued by the Company in connection with the Share Offer (including any supplement or amendment thereto), was not, when it was made, fair and honest and based on reasonable assumptions in any material respect; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom as considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or
 - (iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on any of the Underwriters); or
 - (iv) any breach, considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by the Company, the executive Directors, the Controlling Shareholders contained in the Public Offer Underwriting Agreement to be untrue, incorrect, inaccurate or misleading in any material respect; or
 - (v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any members of the Group which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted on or before the Listing Date, or if granted, the approval is qualified (other than by customary conditions) or is subsequently withdrawn or withheld; or
 - (vii) the Company withdraws this prospectus and the Application Forms (and/or any other documents used in connection with contemplated subscription of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus and the Application Forms or to the issue of this prospectus and the Application Forms; or
 - (ix) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer; or
 - (x) any prohibition on the Company by a governmental authority for whatever reasons from offering, allotting or issuing of the Offer Shares pursuant to the terms of the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market 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 US or a revaluation or devaluation of the Hong Kong dollars against any foreign currencies, respectively) in or affecting Hong Kong, China, Macau, the Cayman Islands, the BVI or any other jurisdictions where any member of the Group or any of its major suppliers or its major customers is incorporated or operates (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iii) any event or series of events in the nature of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or
- (iv) 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 Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange; or (B) a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any litigation, legal action or claim being threatened or instigated against any member of the Group; or
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of the Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or
- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of the Company vacating his/her office that leads to the circumstances where the operations of the Group will be materially and is likely, in the sole and absolute discretion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), be adversely affected; or
- (xii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

UNDERWRITING

- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws and regulations; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group is liable prior to its stated maturity; or
- (xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in “Risk Factors” in this prospectus,

which in each case in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of the Company or the Group or any members of the Group as a whole; or
- (2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (4) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE AND THE COMPANY PURSUANT TO THE GEM LISTING RULES

Undertaking by the Company

Pursuant to Rule 17.29 of the GEM Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into the Company’s equity securities (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue by the Company within six months from the Listing Date (whether or not such issue of Shares or the Company’s securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

Undertaking by the Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that except pursuant to the Share Offer, he/she/it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in the Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above 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 of the Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholder has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in the Company is made in this prospectus and ending on the date which is twelve months from the date on which dealings in the Shares commence on the Stock Exchange, he/she/it will:

- (i) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Voluntary Undertakings by the Controlling Shareholders

In addition to the undertakings to the Stock Exchange and the Company pursuant to the GEM Listing Rules, each of the Controlling Shareholders has voluntarily undertaken to the Company that, he/she/it shall not, and procure that the relevant registered holders will not,

- (i) at any time during the period of 18 months commencing on the date falling six months from the Listing Date (the “**18-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such encumbrances, he/she/it would either individually or together cease to own more than 30% of the issued Shares of the Company; and

UNDERWRITING

- (ii) until the expiry of the 18-Month Period, in the event that any of the Controlling Shareholders enters into the foregoing transactions, he/she/it will take all reasonable steps to ensure that the/she/it will not create a disorderly or false market in the Shares or other securities of the Company.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by the Company

The Company has undertaken with each of the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option) and the Capitalisation Issue, it will not, and will procure its subsidiaries will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or other securities of the Company or any shares or other securities of other member of the Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); 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 such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-Month Period, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of the Company.

Undertaking by the Controlling Shareholders

The Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, have jointly and severally agreed and undertaken with each of the Company, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Sponsor, and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option) and the Capitalisation Issue, they will not, and will procure that none of their relevant registered holder(s) and associates will,

UNDERWRITING

without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the GEM Listing Rules,

- (a) at any time during the First Six-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) beneficially owned by him/her as at the Listing Date;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time during the period of 18 months after the First Six Month Period expires (the “**18-Month Period**”), enter into any of the foregoing transactions in paragraphs (a)(i) or (a) (ii) or (a)(iii) or (a)(iv) above if, immediately following such sale, transfer or disposal, or upon the exercise or enforcement of such offer, pledge, charge, option, right, interests or encumbrances, the Controlling Shareholders (or any of them) will cease to own more than 30% of the issued Shares of the Company;
- (c) until the expiry of the 18-Month Period, in the event that any of the Controlling Shareholders enters into the foregoing transactions, he/she/it will take all reasonable steps to ensure that the/she/it will not create a disorderly or false market in the Shares or other securities of the Company;
- (d) without prejudice to the undertaking given in the above, in the event that the Controlling Shareholders (or any of them) pledge or charge, either directly or indirectly, any of the shares or debt capital or other securities of the Company or any interest therein or pursuant to any consent given by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) or any of the exceptions below, at any time during the relevant periods specified in the paragraph (a) or paragraph (b) above, the Controlling Shareholders must

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inform the Company and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (e) having pledged or charged any interest in securities under paragraph (d) above, the Controlling Shareholders must inform the Company and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) immediately in the event that the Controlling Shareholders (or any of them) become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

PROVIDED THAT none of the Covenantors shall be prevented from the disposal of any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) under the paragraph headed “Underwriting — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertaking by the Controlling Shareholders” in this prospectus in the following circumstances:

- (i) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan;
- (ii) pursuant to a power of sale under the pledge or charge (granted pursuant to paragraph (i) above;
- (iii) on his or her death; or
- (iv) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Lock-up arrangement of Super Arena’s shares

Super Arena, Mr. Kor, Mr. Chou and HF Fund are presumed to be a group of controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) as at the date of this prospectus by virtue of their holding of interests in the Company through a common investment holding company, namely Super Arena, which held more than 30% of the voting rights in the Company. As such, Super Arena, Mr. Kor, Mr. Chou and HF Fund are subject to lock-up requirements under Rule 13.16A(1)(a) of the GEM Listing Rules, that they shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Share in respect of which they are shown by this prospectus to be the beneficial owner in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the date of which dealings in the Shares commence on the Stock Exchange.

However, as the shareholding interests of Super Arena (and therefore those of Mr. Kor, Mr. Chou and HF Fund) will decrease to 29.25% (i.e. below 30%) as a result of the issue of the Offer Shares pursuant to the Share Offer (assuming the Offer Size Adjustment Option is not exercised), Super Arena, Mr. Kor, Mr. Chou and HF Fund are not subject to any lock-up requirements after the First Six-Month Period.

UNDERWRITING

PLACING

In connection with the Placing, the Company and the Controlling Shareholders expect to enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above.

Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, the Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

COMMISSION AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of the Public Offer Shares (including Shares to be issued pursuant to the Offer Size Adjustment Option), out of which they will pay any sub-underwriting commission, and the Sponsor will receive a financial advisory and documentation fee in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer and Listing, which are estimated to amount in aggregate to approximately HK\$21.8 million and are to be borne by the Company.

UNDERWRITERS' INTEREST IN THE COMPANY

HF Securities and Futures Limited (which is one of the Underwriters) and HF Asset Management are wholly-owned subsidiaries of HF Financial Group (Hong Kong) Limited. HF Asset Management is the investment manager of HF Fund.

Following the completion of the Share Offer, the Underwriters and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements. Save for the interests of HF Securities and Futures Limited and its associates set out above and save as contemplated or provided under the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of the Group.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below; and
- (ii) the Placing of 180,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised).

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 7 February 2018, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.27 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Change to Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a book-building process in respect of the Placing, and with the consent of the Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In such a case, the Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.sebiotec.com notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.35 for each Public Offer Share (plus the brokerage fee, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,535.27 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.35 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 12 February 2018, the Share Offer will not proceed and will lapse.

Further details are set out in "How to Apply for Public Offer Shares" in this prospectus.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 13 February 2018 on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.sebiotec.com.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the Capitalisation Issue and Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by the Company on the websites of the Company and the Stock Exchange at www.sebiotec.com and www.hkexnews.hk respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to apply for the Public Offer Shares — 13. Refund of application monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 13 February 2018 and will only become valid certificates of title at 8:00 a.m. on Wednesday, 14 February 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Public Offer Underwriting Arrangements and Expenses — Grounds for termination” has not been exercised at or before that time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Group's 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 14 February 2018, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 14 February 2018.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of the Shares will be 8379.

THE PUBLIC OFFER

Number of the Public Offer Shares

The Public Offer is a fully underwritten public offer (subject to satisfaction or waiver of the conditions provided in the Public Offer Underwriting Agreement and described in the paragraph headed "Conditions of the Share Offer" of this section) for the subscription in Hong Kong of, initially, 20,000,000 Public Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Share Offer). Subject to the reallocation of Offer Shares between the Placing and the Public Offer described below, the Public Offer Shares will represent 2.5% of the Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

Allocation

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer, will be based solely on the level of valid applications received under the Public Offer. The 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. Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected.

THE PLACING

Number of the Placing Shares

Subject to reallocation as described below, the Placing will initially consist of 180,000,000 Placing Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer, assuming the Offer Size Adjustment Option is not exercised.

Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent 22.5% of the Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer (without taking into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option). The Placing is subject to the Public Offer being unconditional.

Allocation

The Placing will include selective marketing of Offer Shares to institutional and professional investors and/or other investors expected to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of the Company by the Placing Underwriters or through selling agents appointed by them. The Placing is subject to the Public Offer becoming unconditional.

Allocation of the Placing Shares to investors under the Placing 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 the relevant investor is likely to buy further, and/or hold or sell its Placing Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

establishment of abroad shareholder base to the benefit of the Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may require any investor who has been offered Offer Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that such investor is excluded from any application of Offer Shares under the Public Offer.

In addition, the Company and the Joint Bookrunners will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocation of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below.

REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. In the event of over-subscriptions in the Public Offer, the Joint Bookrunners (for themselves and on behalf of the Underwriters) shall apply the reallocation mechanism after the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer and pursuant to the Placing Agreement, the Company expects to grant an Offer Size Adjustment Option to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters).

Pursuant to the Offer Size Adjustment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) will have the right, exercisable at any time during the period from the date of this prospectus to before 5:00 p.m. on the business day immediately before the date of the announcement allotment results, at their sole and absolute discretion, to require the Company to issue, at the Offer Price, up to an aggregate of 30,000,000 additional Shares, representing 15% of the initial Offer Shares to cover over-allocations in the Placing, subject to the terms of the Placing Agreement. The Joint Bookrunners in their sole and absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.75% of the enlarged issued share capital of the Company immediately following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme.

The purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised at any future date. The allotment results announcement will be published on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.sebiotec.com.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in the Shares (or exercising rights attached to them). None of the Group, the Sponsor, the Joint Lead Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors, agents or advisors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

HONG KONG REGISTER OF MEMBERS

The Company's principal register of members will be maintained by its principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and the Hong Kong register of members will be maintained in Hong Kong by Tricor Investor Services Limited, the Company's Hong Kong Branch Share Registrar.

STAMP DUTY

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the GEM Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 January 2018 to 12:00 noon on Friday, 2 February 2018 from:

- (i) any of the following offices of the Public Offer Underwriters:

Ample Orient Capital Limited

Pacific Foundation Securities Limited

HF Securities and Futures Limited

AFG Securities Limited

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of the receiving bank:

DBS Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	United Centre Branch	Shops 1015–1018, 1/F & Shops 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Yaumatei Branch	G/F & 1/F, 137–137 Woo Sung Street, Yau Ma Tei
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung
	Tuen Mun Town Plaza — SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 January 2018 until 12:00 noon on Friday, 2 February 2018, from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to “**TING HONG NOMINEES LIMITED — PRIME INTELLIGENCE 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:

9:00 a.m. to 5:00 p.m., Tuesday, 30 January 2018
9:00 a.m. to 5:00 p.m., Wednesday, 31 January 2018
9:00 a.m. to 5:00 p.m., Thursday, 1 February 2018
9:00 a.m. to 12:00 noon, Friday, 2 February 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 2 February 2018, the last application day or such later time as described in the sub-section headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (or 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 their 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 (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer as set out in this prospectus;
- (vi) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of

HOW TO APPLY FOR PUBLIC OFFER SHARES

the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Hong Kong branch share register 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 e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (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;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as his agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the sub-section headed “2. Who Can Apply” in this section above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the **HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 January 2018, until 11:30 a.m. on Friday, 2 February 2018, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 2 February 2018, or such later time as specified in the sub-section headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Tuesday, 30 January 2018	:	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 31 January 2018	:	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 1 February 2018	:	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 2 February 2018	:	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 30 January 2018, until 12:00 noon on Friday, 2 February 2018 (24 hours daily, except the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 2 February 2018, the last application day or such later time as described in the sub-section headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, and the Underwriters and their respective advisers and agents take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or

HOW TO APPLY FOR PUBLIC OFFER SHARES

YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 2 February 2018.

8. 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 or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE 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 fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 February 2018. 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 anytime between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 2 February 2018, 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 “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 13 February 2018 on the Company’s website at www.sebiotec.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers 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 at www.sebiotec.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 13 February 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 13 February 2018, to 12:00 midnight on Monday, 19 February 2018;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 13 February 2018, to Tuesday, 20 February 2018 (excluding any day which is Saturday, Sunday and public holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 13 February 2018, to Thursday, 15 February 2018, at all the receiving bank's designated branches.

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 Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with 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.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division 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 electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application under the Public Offer is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the

HOW TO APPLY FOR PUBLIC OFFER SHARES

appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 13 February 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, 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 around Tuesday, 13 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 14 February 2018, provided that the right of termination described in "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) If You Apply Using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares, and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 February 2018, 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(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 13 February 2018, 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 for collection of your refund cheque(s) as described in (i) above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 13 February 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 13 February 2018 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 "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If You Apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Public Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 February 2018 or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 13 February 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If You Apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 13 February 2018 or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of Results" above on Tuesday, 13 February 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 February 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 13 February 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 13 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, set out on pages I-1 to I-48, received from the Company's independent reporting accountants, World Link CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

5th Floor
Far East Consortium Building
121 Des Voeux Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PRIME INTELLIGENCE SOLUTIONS GROUP LIMITED AND AMPLE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Prime Intelligence Solutions Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-48, which comprises the combined and Company statements of financial position as at 31 March 2016, 31 March 2017 and 31 July 2017 and the combined statements of profit or loss and other comprehensive income, the combined and Company statements of changes in equity and the combined statements of cash flows for the two years ended 31 March 2017 and the four months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-48 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

REPORTING ACCOUNTANTS' RESPONSIBILITY (CONTINUED)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 March 2016, 31 March 2017 and 31 July 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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. A review consists of making inquiries, 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE (THE "GEM LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**ADJUSTMENTS**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

DIVIDENDS

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

NO STATUTORY FINANCIAL STATEMENTS FOR THE COMPANY

No statutory financial statements have been prepared for the Company since its date of incorporation.

World Link CPA Limited

Certified Public Accountants

Hong Kong, 30 January 2018

Lo Ka Ki

Audit Engagement Director

Practising Certificate Number — P06633

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by World Link CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	8	59,065	63,522	20,102	24,398
Cost of sales		<u>(23,377)</u>	<u>(25,505)</u>	<u>(9,004)</u>	<u>(9,170)</u>
Gross profit		35,688	38,017	11,098	15,228
Other income	9	56	94	1	118
Selling and distribution costs		(3,937)	(4,826)	(1,620)	(1,583)
Administrative and other expenses		<u>(15,990)</u>	<u>(16,715)</u>	<u>(5,383)</u>	<u>(7,798)</u>
Profit from operation		15,817	16,570	4,096	5,965
Finance costs	10	<u>(165)</u>	<u>(142)</u>	<u>(63)</u>	<u>(20)</u>
Profit before tax		15,652	16,428	4,033	5,945
Income tax expense	11	<u>(2,603)</u>	<u>(2,904)</u>	<u>(723)</u>	<u>(1,341)</u>
Profit for the year/period	12	13,049	13,524	3,310	4,604
Other comprehensive income for the year/period, net of tax:					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>(214)</u>	<u>(400)</u>	<u>(162)</u>	<u>184</u>
Total comprehensive income for the year/period attributable to the owners of the Company		<u>12,835</u>	<u>13,124</u>	<u>3,148</u>	<u>4,788</u>
Earnings per share (cents)	15	<u>2.17</u>	<u>2.25</u>	<u>0.55</u>	<u>0.77</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 March 2016 HK\$'000	2017 HK\$'000	At 31 July 2017 HK\$'000
	Note			
Non-current assets				
Property, plant and equipment	17	355	937	908
Intangible assets	18	<u>165</u>	<u>216</u>	<u>200</u>
		<u>520</u>	<u>1,153</u>	<u>1,108</u>
Current assets				
Inventories	20	11,853	17,120	14,665
Trade receivables	21	8,624	10,742	14,066
Other receivables, prepayments and deposits	22	6,371	5,638	7,700
Amount due from a director	23(a)	159	—	—
Amount due from a corporate shareholder	23(b)	4	—	—
Bank and cash balances	24	<u>19,564</u>	<u>12,218</u>	<u>15,276</u>
		<u>46,575</u>	<u>45,718</u>	<u>51,707</u>
Current liabilities				
Trade payables	25	1,363	2,132	1,491
Other payables, deposits received and accrued expenses	26	8,965	3,903	4,687
Deferred income	27	3,603	4,447	3,992
Bank borrowings	28	2,734	1,450	1,660
Finance lease payables	29	116	44	22
Current tax liabilities		<u>1,097</u>	<u>442</u>	<u>1,783</u>
		<u>17,878</u>	<u>12,418</u>	<u>13,635</u>
Net current assets		<u>28,697</u>	<u>33,300</u>	<u>38,072</u>
Total assets less current liabilities		<u>29,217</u>	<u>34,453</u>	<u>39,180</u>
Non-current liabilities				
Deferred income	27	68	224	163
Finance lease payables	29	<u>44</u>	<u>—</u>	<u>—</u>
		<u>112</u>	<u>224</u>	<u>163</u>
NET ASSETS		<u>29,105</u>	<u>34,229</u>	<u>39,017</u>
Capital and reserves				
Share capital	31	—*	—*	—*
Reserves	32	<u>29,105</u>	<u>34,229</u>	<u>39,017</u>
TOTAL EQUITY		<u>29,105</u>	<u>34,229</u>	<u>39,017</u>

* Represents amount less than HK\$1,000

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 March		At 31 July
		2016	2017	2017
	Note	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investment in a subsidiary	19(a)	<u>22,458</u>	<u>22,458</u>	<u>22,458</u>
Current assets				
Prepayments	22	45	23	13
Amounts due from subsidiaries	19(b)	—	399	99
Bank and cash balances	24	<u>10</u>	<u>5,509</u>	<u>979</u>
		<u>55</u>	<u>5,931</u>	<u>1,091</u>
Current liabilities				
Accrued expenses	26	23	60	23
Amounts due to subsidiaries	19(b)	<u>564</u>	<u>6,050</u>	<u>1,427</u>
		<u>587</u>	<u>6,110</u>	<u>1,450</u>
Net current liabilities		<u>(532)</u>	<u>(179)</u>	<u>(359)</u>
NET ASSETS		<u><u>21,926</u></u>	<u><u>22,279</u></u>	<u><u>22,099</u></u>
Capital and reserves				
Share capital	31	—*	—*	—*
Reserves	32	<u>21,926</u>	<u>22,279</u>	<u>22,099</u>
TOTAL EQUITY		<u><u>21,926</u></u>	<u><u>22,279</u></u>	<u><u>22,099</u></u>

* Represents amount less than HK\$1,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>(note 32(b)(i)) HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>(note 32(b)(ii)) HK\$'000</i>	Legal reserve <i>(note 32(b)(iii)) HK\$'000</i>	Foreign currency translation reserve <i>(note 32(b)(iv)) HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2015	2,538	34,716	(8,881)	—	12	(74)	25,723	51,496	54,034
Payments to the owners for the entities now comprising the Group <i>(note (a))</i>	—	—	(27,839)	—	—	—	—	(27,839)	(27,839)
Issue of shares by a subsidiary	3	13,997	—	—	—	—	—	13,997	14,000
Disposals of the Carve-out Entities <i>(note (b))</i>	—	—	2,545	—	—	—	—	2,545	2,545
Dividends paid to the then equity holders of a subsidiary <i>(note 14)</i>	—	—	—	—	—	—	(26,470)	(26,470)	(26,470)
Issue of shares on incorporation of the Company	—*	—	—	—	—	—	—	—	—*
Effect of the Group Reorganisation	(2,541)	(48,713)	34,175	17,079	—	—	—	2,541	—
Total comprehensive income for the year	—	—	—	—	—	(214)	13,049	12,835	12,835
Changes in equity for the year	(2,538)	(34,716)	8,881	17,079	—	(214)	(13,421)	(22,391)	(24,929)
At 31 March 2016 and 1 April 2016	—*	—	—	17,079	12	(288)	12,302	29,105	29,105
Dividends paid <i>(note 14)</i>	—	—	—	—	—	—	(8,000)	(8,000)	(8,000)
Total comprehensive income for the year	—	—	—	—	—	(400)	13,524	13,124	13,124
Changes in equity for the year	—	—	—	—	—	(400)	5,524	5,124	5,124
At 31 March 2017 and 1 April 2017	—*	—	—	17,079	12	(688)	17,826	34,229	34,229
Total comprehensive income and changes in equity for the period	—	—	—	—	—	184	4,604	4,788	4,788
At 31 July 2017	—*	—	—	17,079	12	(504)	22,430	39,017	39,017
At 1 April 2016	—*	—	—	17,079	12	(288)	12,302	29,105	29,105
Dividends paid <i>(note 14)</i> (unaudited)	—	—	—	—	—	—	(2,400)	(2,400)	(2,400)
Total comprehensive income for the period (unaudited)	—	—	—	—	—	(162)	3,310	3,148	3,148
Changes in equity for the period (unaudited)	—	—	—	—	—	(162)	910	748	748
At 31 July 2016 (unaudited)	—*	—	—	17,079	12	(450)	13,212	29,853	29,853

* Represents amount less than HK\$1,000

Notes: (a) For the purpose of the Group Reorganisation (as more fully explained in “History, Development and Reorganisation — Reorganisation” in this Prospectus), on 27 April 2015, Power Truth Holdings Limited acquired Solution Expert Technology Limited, Solution Expert Engineering Limited, Solution Expert Technology (R&D) Limited, Systec Management Services Limited (“Systec”) and Smart Yield Investment Limited (“Smart Yield”) from Global Technology Corporation Limited (“Global Technology”), a company incorporated in Hong Kong and was owned as to 28%, 28% and 5% by Mr. Yuen Kwok Leung, Jackson (“Mr. Jackson Yuen”), Mr. Yuen Kwok Wai, Tony (“Mr. Tony Yuen”) and Ms. Yuen Mei Ling, Pauline (“Ms. Pauline Yuen”) (Mr. Jackson Yuen, Mr. Tony Yuen and Ms. Pauline Yuen, as a group of shareholders are siblings and referred to as “Yuen’s Family” or “Controlling Party Group”) at an aggregated consideration of approximately HK\$27,839,000. The consideration paid to Global Technology is regarded as deemed distribution to the owners from the Group’s perspective.

Systec and Smart Yield (collectively known as the “Carve-out Entities”) are engaging in businesses delineated from the Group’s main operations and maintain separate personnel and accounting records and will not include in the combined business of the Group upon the Group Reorganisation.

(b) It represents proceeds from the disposals of the Carve-out Entities to Fine Day Assets Limited (“Fine Day”), a company incorporated in the British Virgin Islands and was owned by the Controlling Party Group. The proceeds received from Fine Day for the disposals of the Carved-out Entities is regarded as deemed contribution by the owners from the Group’s perspective.

STATEMENTS OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK\$'000	Contributed surplus (note 32(b)(v)) HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	Total equity HK\$'000
Issue of shares on incorporation	—*	—	—	—	—*
Issue of shares upon the Group					
Reorganisation	—*	22,458	—	22,458	22,458
Total comprehensive income for the period	—	—	(532)	(532)	(532)
Changes in equity for the period	—*	22,458	(532)	21,926	21,926
At 31 March 2016 and 1 April 2016	—*	22,458	(532)	21,926	21,926
Dividends paid (note 14)	—	—	(8,000)	(8,000)	(8,000)
Total comprehensive income for the year	—	—	8,353	8,353	8,353
Changes in equity for the year	—	—	353	353	353
At 31 March 2017 and 1 April 2017	—*	22,458	(179)	22,279	22,279
Total comprehensive income and changes in equity for the period	—	—	(180)	(180)	(180)
At 31 July 2017	—*	22,458	(359)	22,099	22,099
At 1 April 2016	—*	22,458	(532)	21,926	21,926
Dividends paid (note 14) (unaudited)	—	—	(2,400)	(2,400)	(2,400)
Total comprehensive income for the period (unaudited)	—	—	2,845	2,845	2,845
Changes in equity for the period (unaudited)	—	—	445	445	445
At 31 July 2016 (unaudited)	—*	22,458	(87)	22,371	22,371

* Represents amount less than HK\$1,000

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
Note	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	15,652	16,428	4,033	5,945
Adjustments for:				
Interest income	(3)	(3)	(1)	(1)
Amortisation	—	27	—	16
Depreciation	293	418	134	213
Finance costs	165	142	63	20
Allowance/(reversal of allowance) for inventories	—	316	—	(41)
Gain on disposals of property, plant and equipment	—	(67)	—	(100)
Write off of property, plant and equipment	—	2	—	—
Operating profit before working capital changes	16,107	17,263	4,229	6,052
(Increase)/decrease in inventories	(5,903)	(5,967)	(3,864)	2,671
Decrease/(increase) in trade receivables	7,450	(2,185)	658	(3,274)
(Increase)/decrease in other receivables, prepayments and deposits	(5,320)	677	1,582	(2,054)
(Decrease)/increase in trade payables	(118)	787	3,102	(707)
Increase in other payables, deposits received and accrued expenses	28	256	845	784
Increase/(decrease) in deferred income	638	1,000	11	(516)
Decrease in amount due to a related company	(1,800)	—	—	—
Decrease in amounts due from related companies	168	—	—	—
Cash generated from operations	11,250	11,831	6,563	2,956
Finance lease charges paid	(8)	(4)	(2)	—
Hong Kong Profits Tax paid	(2,673)	(3,320)	(580)	—
Macao Complementary Tax paid	—	(239)	—	—
Interest paid	(157)	(138)	(61)	(20)
Net cash generated from operating activities	8,412	8,130	5,920	2,936
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(148)	(1,002)	(1,002)	(184)
Additions to capitalised software costs	(165)	(78)	(52)	—
Proceeds from disposals of property, plant and equipment	—	67	—	100
Interest received	3	3	1	1
Net cash used in investing activities	(310)	(1,010)	(1,053)	(83)

		Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Import/export loans raised		11,051	6,753	2,008	960
Repayments of import/export loans		(9,177)	(8,037)	(2,734)	(750)
Repayments of finance lease payables		(138)	(116)	(47)	(22)
Payments to the owners for the entities now comprising the Group		(36,720)	—	—	—
(Advances to)/repayments from directors		(2,997)	159	120	—
Dividends paid to the then equity holders of a subsidiary	33	(21,305)	(5,165)	(5,165)	—
Dividends paid to the equity holders of the Company		—	(8,000)	(2,400)	—
Proceeds from issue of shares by a subsidiary		48,720	—	—	—
Decrease in amounts due from related companies		4,642	—	—	—
Proceeds from disposals of Carve-out Entities		2,545	—	—	—
(Increase)/decrease in amount due from a corporate shareholder		(4)	4	4	—
Net cash (used in)/from financing activities		(3,383)	(14,402)	(8,214)	188
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		4,719	(7,282)	(3,347)	3,041
Effect of foreign exchange rate changes		(40)	(64)	(29)	17
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD					
		14,885	19,564	19,564	12,218
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
		19,564	12,218	16,188	15,276
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	24	19,564	12,218	16,188	15,276

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempt company in the Cayman Islands with limited liability under the Companies Law, (as revised) of the Cayman Islands on 16 October 2015. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit 1, 13/F Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the Historical Financial Information.

In the opinion of the directors of the Company, as at 31 July 2017, Delighting View Global Limited (“Delighting View”), a company incorporated in the British Virgin Islands is the immediate and ultimate holding parent of the Company and Yuen’s Family is the ultimate controlling party of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to the Group Reorganisation as more fully explained in “History, Development and Reorganisation — Reorganisation” in this Prospectus, the Company was incorporated and interspersed between Power Truth Holdings Limited and the equity holders of the Company; and became the holding company of the companies now comprising the Group on 10 November 2015. The companies now comprising the Group has been under the common control of the Controlling Party Group immediately prior to and after the Group Reorganisation. The Group now comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

Accordingly, for the purpose of this report, the Historical Financial Information for the Track Record Period has been presented as a continuation of the existing group based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, and on the basis that Systec and Smart Yield, the Carve-out Entities, will not form the companies now comprising the Group due to the fact that Systec and Smart Yield are engaging in businesses delineated from the main operations of the Group, being provision of security guarding services; and investment holding respectively, and the Carve-out entities maintain separate personnel and accounting records from the Group, with reference to the guidance of Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the HKICPA. The Historical Financial Information for the Track Record Period excludes the assets, liabilities and results of operations of the Carve-out Entities whose businesses are, in the opinion of the directors of the Company, clearly delineated from the main operations of the Group and whose assets, liabilities, revenues and expenditure are clearly identifiable. As a result, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows are prepared as if the current structure of the companies now comprising the Group had been in existence throughout the Track Record Period. The combined statements of financial position as at 31 March 2016, 31 March 2017 and 31 July 2017 present the assets and liabilities of the companies now comprising the Group, which had been incorporated as at the end of the respective reporting periods, as if the current structure of the companies now comprising the Group had been in existence at those dates.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKASs”); and Interpretations. The Historical Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries now comprising the Group:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and paid-up share capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities/ place of operation
				At the date				
				At 31 March 2016	2017	July 2017	of this report	
Directly held:								
Power Truth Holdings Limited (“Power Truth”)	28 August 2014	The British Virgin Islands	1,000 ordinary shares of US\$1 each	100%	100%	100%	100%	Investment holding, Hong Kong
Indirectly held:								
Solution Expert Technology Limited (“SE Technology”)	7 June 1999	Hong Kong	HK\$1,500,000	100%	100%	100%	100%	Sales of biometrics identification devices and security products; and provision of application software, Hong Kong
Solution Expert Engineering Limited (“SE Engineering”)	9 April 2001	Hong Kong	HK\$10,000	100%	100%	100%	100%	Sales of biometrics identification devices and security products; and provision of system installation, application software and repair and maintenance services, Hong Kong
Solution Expert Technology (R&D) Limited (“SE R&D”)	30 May 2003	Hong Kong	HK\$1,000,000	100%	100%	100%	100%	Investment holding; sales of biometrics identification devices and security products; and provision of application software, Hong Kong
Solution Expert Technology (Macau) Limited (“SE Macau”)	13 September 2004	Macau	MOP25,000	100%	100%	100%	100%	Sales and provision of installation and maintenance of security and information technology system, Macau
專訊科技(深圳)有限公司 Solution Expert Technology (Shenzhen) Limited* (“SE Shenzhen”)	22 October 2003	The People’s Republic of China (“PRC”)	Registered and paid up capital of HK\$10,000,000	100%	100%	100%	100%	Sales of biometrics identification devices; and provision of application software and related after-sale services, PRC

* English name is for identification purpose only

The subsidiaries established/incorporated in the PRC/Macau have adopted 31 December as their financial year end date. All other subsidiaries of the Group have adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for Power Truth and SE Macau since their respective dates of incorporation as they are incorporated in jurisdictions where there are no statutory requirements.

The statutory financial statements of SE Technology, SE Engineering and SE R&D (collectively referred to as the "Hong Kong Subsidiaries") for the years ended 31 March 2016 and 2017 have been prepared in accordance with HKFRSs issued by the HKICPA. We have audited the statutory financial statements of the Hong Kong Subsidiaries for the years ended 31 March 2016 and 2017 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The statutory audited financial statements of SE Shenzhen for the years ended 31 December 2015 and 2016 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 深圳東海會計師事務所, certified public accountants registered in the PRC.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has adopted all the new and revised HKFRSs (which comprise Hong Kong Financial Reporting Standards; HKASs; and Interpretations) issued by the HKICPA that are effective for its accounting period beginning on 1 April 2017 throughout the Track Record Period.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Revenue from Contracts with Customers: Clarifications	1 January 2018
Amendments to HKFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts: Applying HKFRS 9 Financial Instruments with HKFRS 4	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018
Amendments to HKAS 40	Investment Property: Transfers of investment property	1 January 2018
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) — Int 23	Uncertainty Over Income Tax Treatment	1 January 2019

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will not have material impact on the Group's financial performance and financial position.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group is in the process of assessing the potential impact on the financial performance resulting from the adoption of HKFRS 9. So far it has concluded that the new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model that will apply to various exposures to credit risk. The Group anticipates that the adoption of HKFRS 9 in the future may not have other 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 July 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 will supersede all existing revenue recognition guidance including HKAS 18, HKAS 11 Construction Contracts and related interpretation when it becomes effective.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue which aim to enable users of financial statements to understand the nature, timing and uncertainty of revenue and cash flow arising from contracts with customers.

The Group anticipates that the application of HKFRS 15 in the future may have resulted in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures of revenue are also required. However, the Group anticipates that the application of HKFRS 15 will not have a material impact on the timing and amounts in revenue recognition.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's leases of office premises and staff quarters are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 37 to the Historical Financial Information, the Group's future minimum lease payments under non-cancellable operating leases for its office premises and staff quarters as at 31 March 2016, 31 March 2017 and 31 July 2017 amounted to approximately HK\$2,745,000, HK\$1,958,000 and HK\$1,375,000 respectively. A preliminary assessment indicated that the new requirement will result in recognise a right-of-use asset and a related lease liability in respect of these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the Group does not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but may result changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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, an investment in a subsidiary is stated at cost less impairment loss. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivables.

(b) Merger accounting for business combination under common control

This Historical Financial Information includes the financial statements of the entities now comprising the Group for the Track Record Period. As explained in note 2 to the Historical Financial Information, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The combined statements of profit or loss and other comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Foreign currency translation*(i) Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK\$, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on combination

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On combination, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to combination profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

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. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

	Depreciation rate
Furniture and fixtures	20%
Biometrics identification devices	20%
Motor vehicles	30%
Computer equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on derecognition of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Where applicable, contingent rentals are recognised as expenses in the period in which they are incurred.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. With respect to staff costs incurred directly attributable to solution service income, it will be regarded as cost of sales and charged to profit or loss of the Group accordingly.

Software development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the software are put into commercial production.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out basis and comprised all costs of purchase and, where applicable, cost conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised in profit or loss in the period of write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as an increment in the amount of inventories and recognised in the profit or loss in the period in which the reversal occurs.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

The Group classifies its financial assets in the loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Sales of goods

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Service revenue

Service revenue comprises revenue from (1) provision of installation and solution services; (2) maintenance and other services; and (3) software licensing income.

Revenue from provision of installation and solution services is recognised when relevant services are delivered to customers.

Income from maintenance and other services is recognised on a straight-line basis over the term of the maintenance and other service contracts. Payments received or receivable in respect of maintenance and other services which have not been completed on or before the end of the reporting period are shown in the statement of financial position as deferred income.

Software licensing income is recognised on an accrual basis in accordance with the terms and conditions of the licensing agreement.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A related party is a person or entity that is related to the Group.

(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 Company 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 Company 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. If the Group is itself such a plan, the sponsoring employers are also 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 Company or to a parent of the Company.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the combined statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

The Group makes estimates and judgements which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Useful lives and residual values of property, plant and equipment and intangible assets (other than goodwill)

The Group determines the estimated useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and intangible assets of similar nature and functions. The Group will revise the depreciation/amortisation charges where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives of the Group's property, plant and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

The carrying amount of property, plant and equipment and intangible assets as at 31 March 2016, 31 March 2017 and 31 July 2017 were approximately HK\$520,000, HK\$1,153,000 and HK\$1,108,000 respectively.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017, income tax expense of approximately HK\$2,603,000, HK\$2,904,000, HK\$723,000 (unaudited) and HK\$1,341,000 respectively, were charged to profit or loss based on the estimated taxable profit.

(c) Warranty provision

The Group generally offers six months to one year warranty for its products sold. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

No warranty provision has been made for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017.

(d) Allowance for inventories

Allowance for inventories is made based on the ageing, change in the market conditions and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

No allowance for inventories was made for the year ended 31 March 2016 and four months ended 31 July 2016. Allowance for inventories of approximately HK\$316,000 was made for the year ended 31 March 2017, and approximately HK\$41,000 was reversed during the four months ended 31 July 2017.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The functional currency of the Group's entities are principally denominated in HK\$, Renminbi ("RMB") and Macau Pataca ("MOP"). The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group's entities such as United States dollars ("US\$") and RMB.

The directors of the Company is of the opinion that the HK\$ is pegged against the US\$ and MOP and the risk of movements in exchange rates between HK\$ and US\$; and HK\$ and MOP to be insignificant. Accordingly, no sensitivity analysis is performed on the movements in exchange rates between HK\$ and US\$; and HK\$ and MOP. Whilst, the sensitivity analysis of the Group's foreign currency risk exposure in respect of RMB is set out below:

	Functional currency strengthened/ (weakened) by	Increase/ (decrease) in combined profit after tax HK\$'000
Year ended 31 March 2016	5%/(5%)	(26)/26 ^(Note)
Year ended 31 March 2017	5%/(5%)	6/(6) ^(Note)
Four months ended 31 July 2017	5%/(5%)	(5)/5 ^(Note)

Note: This is mainly a result of foreign exchange gain/(loss) on bank deposits, trade payables and amount due from a director denominated in RMB.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of trade receivables, other receivables, amount due from a director, amount due from a corporate shareholder and bank balances included in the combined statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has no concentration of credit risk.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on amounts due from a director and a corporate shareholder are considerably to be low as they are closely monitored by the management.

The credit risk on bank balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and large state-controlled banks in the PRC.

(c) Interest rate risk

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These bank deposits and borrowings bear interests at floating rates that varied with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities during the Track Record Period, its income and operating cash flows are substantially independent of changes in market interest rates.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash 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 bank borrowings, finance lease payables and other 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.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

Financial liabilities subject to a repayment on demand clause or repayable on demand

	The Group			The Company		
	At 31 March 2016 HK\$'000	2017 HK\$'000	At 31 July 2017 HK\$'000	At 31 March 2016 HK\$'000	2017 HK\$'000	At 31 July 2017 HK\$'000
Bank borrowings	2,734	1,450	1,660	—	—	—
Amounts due to subsidiaries	—	—	—	564	6,050	1,427

Financial liabilities not subject to a repayment on demand clause or repayable on demand

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 March 2016				
<i>The Group</i>				
Trade payables	1,363	—	—	1,363
Other payables and accrued expenses	7,726	—	—	7,726
Finance lease payables	120	44	—	164
<i>The Company</i>				
Accrued expenses	23	—	—	23
At 31 March 2017				
<i>The Group</i>				
Trade payables	2,132	—	—	2,132
Other payables and accrued expenses	2,786	—	—	2,786
Finance lease payables	44	—	—	44
<i>The Company</i>				
Accrued expenses	60	—	—	60
At 31 July 2017				
<i>The Group</i>				
Trade payables	1,491	—	—	1,491
Other payables and accrued expenses	3,754	—	—	3,754
Finance lease payables	22	—	—	22
<i>The Company</i>				
Accrued expenses	23	—	—	23

Bank borrowings with a repayment on demand clause are included in the “Financial liabilities subject to a repayment on demand clause or repayable on demand” above. As at 31 March 2016, 31 March 2017 and 31 July 2017, the aggregate undiscounted principal amounts of import/export loans amounted to approximately HK\$2,734,000, HK\$1,450,000 and HK\$1,660,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such import/export loans will be repaid within one year after the end of each reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Based on respective loan agreements, the Group’s bank borrowings as at 31 March 2016, 31 March 2017 and 31 July 2017 were repayable within one year. As at 31 March 2016, 31 March 2017 and 31 July 2017, the aggregate principal and interest cash outflows of import/export loans amounting to approximately HK\$2,778,000, HK\$1,480,000 and HK\$1,695,000 respectively.

(e) Categories of financial instruments

	The Group		The Company		
	At 31 March 2016 HK\$'000	2017 HK\$'000	At 31 July 2017 HK\$'000	At 31 March 2016 HK\$'000	2017 HK\$'000
Financial assets:					
Loans and receivables (including cash and cash equivalents)	28,659	23,157	29,604	10	5,908
Financial liabilities:					
Financial liabilities at amortised cost	11,823	6,368	6,905	587	6,110

(f) Fair values

The carrying amounts of the Group's and the Company's financial assets and financial liabilities as reflected in the combined and Company's statements of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Sales of biometrics identification devices, security products and other accessories
- Provision of auxiliary and other services includes (i) maintenance, installation and solution services; and (ii) software licensing.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the Historical Financial Information. Segment profits or losses do not include other income, finance costs, unallocated costs, which comprise selling and distribution expenses, corporate administrative and other expenses, and income tax expense.

Segment assets and liabilities are not presented in the Historical Financial Information as they are not regularly reviewed by the Group's directors.

(a) Operating segment of the Group

Information about reportable segment profit or loss:

	Sales of biometrics identification devices, security products and other accessories <i>HK\$'000</i>	Provision of auxiliary and other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2016			
Revenue from external customers	40,229	18,836	59,065
Segment profit	21,529	14,159	35,688
<i>Other segment information:</i>			
Depreciation	—	63	63
Year ended 31 March 2017			
Revenue from external customers	40,825	22,697	63,522
Segment profit	21,147	16,870	38,017
<i>Other segment information:</i>			
Depreciation	—	63	63
Four months ended 31 July 2016 (unaudited)			
Revenue from external customers	13,899	6,203	20,102
Segment profit	6,735	4,363	11,098
<i>Other segment information:</i>			
Depreciation	—	21	21
Four months ended 31 July 2017			
Revenue from external customers	16,104	8,294	24,398
Segment profit	9,013	6,215	15,228
<i>Other segment information:</i>			
Depreciation	—	21	21

Reconciliations of reportable segment profit or loss:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit or loss:				
Total profit of reportable segments	35,688	38,017	11,098	15,228
Other income	56	94	1	118
Selling and distribution costs	(3,937)	(4,826)	(1,620)	(1,583)
Corporate administrative and other expenses	(15,990)	(16,715)	(5,383)	(7,798)
Finance costs	(165)	(142)	(63)	(20)
Income tax expense	(2,603)	(2,904)	(723)	(1,341)
	<u>13,049</u>	<u>13,524</u>	<u>3,310</u>	<u>4,604</u>

(b) **Geographical information**

Information about the Group's non-current assets based on the geographical location is presented as follows:

	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	507	1,145	1,101
PRC	13	8	7
Combined total	<u>520</u>	<u>1,153</u>	<u>1,108</u>

Non-current assets include property, plant and equipment and intangible assets.

Information about the Group's revenue from external customers is presented based on the geographical location where the Group operates is as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong	46,238	49,625	14,565	20,373
Macau	5,916	7,064	3,043	1,340
PRC	6,911	6,833	2,494	2,685
Combined total	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

(c) **Information about major customers**

During the Track Record Period, no transaction with a single customer amounts to 10% or more of the Group's revenue. Accordingly, no major customer is presented.

8. REVENUE

Revenue represents invoiced value of goods sold and service rendered, after allowances for returns and discounts during the Track Record Period which set out below:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Sales of biometrics identification devices, security products and other accessories	40,229	40,825	13,899	16,104
Provision of auxiliary and other services	18,836	22,697	6,203	8,294
	<u>59,065</u>	<u>63,522</u>	<u>20,102</u>	<u>24,398</u>

9. OTHER INCOME

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Foreign exchange gains, net	—	—	—	13
Interest income	3	3	1	1
Management fee income	48	—	—	—
Gain on disposals of property, plant and equipment	—	67	—	100
Others	5	24	—	4
	<u>56</u>	<u>94</u>	<u>1</u>	<u>118</u>

10. FINANCE COSTS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on import/export loans	157	138	61	20
Finance lease charges	8	4	2	—
	<u>165</u>	<u>142</u>	<u>63</u>	<u>20</u>

11. INCOME TAX EXPENSE

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Current tax:				
Hong Kong Profits Tax				
Provision for the year/period	2,602	2,932	610	1,274
Over-provision in prior years	(35)	(60)	—	—
	<u>2,567</u>	<u>2,872</u>	<u>610</u>	<u>1,274</u>
Macao Complementary Tax				
Provision for the year/period	36	54	113	67
Over-provision in prior years	—	(22)	—	—
	<u>36</u>	<u>32</u>	<u>113</u>	<u>67</u>
	<u>2,603</u>	<u>2,904</u>	<u>723</u>	<u>1,341</u>

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax has been provided at the rate of 16.5% for the Track Record Period on the estimated assessable profits arising in or derived from Hong Kong.

For the Group's subsidiary established and operated in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% for the Track Record Period. No PRC Enterprise Income Tax has been provided in the Historical Financial Information as the Group's PRC subsidiary either did not generate any assessable profits or has sufficient tax losses brought forward to offset against its assessable profits generated during the Track Record Period.

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016. For the four months ended 31 July 2017, Macao Complementary Tax has been provided in the Historical Financial Information at the rate of 12% on the estimated taxable income of the Group's Macau subsidiary.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate of the Group is as follows:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before tax	15,652	16,428	4,033	5,945
Tax at the domestic tax rate of 16.5%	2,583	2,711	665	981
Tax effect of income that is not taxable	(96)	(107)	(102)	(33)
Tax effect of expenses that are not deductible	333	411	162	509
Tax effect of temporary differences not recognised	(93)	(45)	(16)	17
Tax effect of utilisation of tax losses not previously recognised	(109)	—	—	(150)
Tax effect of tax losses not recognised	—	34	77	—
Over-provision in prior years	(35)	(82)	—	—
Effect of different tax rates of subsidiaries	20	(18)	(63)	17
Income tax expense	2,603	2,904	723	1,341

No provision for deferred taxation in respect of taxable temporary differences had been recognised during the Track Record Period as the tax effect of the taxable temporary difference is immaterial to the Group.

12. PROFIT FOR THE YEAR/PERIOD

The Group's profit is stated after charging/(crediting) the following:

	Note	Year ended 31 March		Four months ended 31 July	
		2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Amortisation of intangible assets (note 18)		—	27	—	16
Depreciation of property, plant and equipment (note 17)	(a)	293	418	134	213
Staff costs (including directors' emoluments)	(b)				
— Salaries, bonus, allowances and other benefits in kind	(c)	14,692	15,428	5,115	5,617
— Commission		928	698	209	502
— Retirement benefits scheme contributions		824	894	310	329
		16,444	17,020	5,634	6,448
Write off of property, plant and equipment		—	2	—	—
Gain on disposals of property, plant and equipment		—	(67)	—	(100)
Cost of inventories sold		19,179	20,683	7,473	7,265
Foreign exchange losses/(gains), net		149	18	68	(13)
Listing expenses		1,215	1,810	659	2,705
Operating lease charges in respect of premises	(c)	2,113	1,716	566	584
Auditors' remuneration		447	504	133	167
Allowance/(reversal of allowance) for inventories		—	316	—	(41)

Notes:

- (a) Depreciation of property, plant and equipment of approximately HK\$63,000, HK\$63,000, HK\$21,000 (unaudited) and HK\$21,000 for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively are included in cost of sales.

- (b) Included in staff costs:
- (i) approximately HK\$3,091,000, HK\$3,799,000, HK\$1,203,000 (unaudited) and HK\$1,478,000 for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively are included in cost of sales; and
 - (ii) approximately HK\$165,000, HK\$78,000, HK\$52,000 (unaudited) and nil for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively are capitalised as intangible assets.
- (c) Included in operating lease charges in respect of premises of approximately HK\$727,000, HK\$360,000, HK\$120,000 (unaudited) and HK\$120,000 for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively are included in salaries, bonus, allowances and other benefits in kind of staff costs.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) The emoluments paid or payable to each of the director of the Company

The Company was incorporated in the Cayman Islands on 16 October 2015 and at the date of its incorporation, Mr. Tony Yuen and Ms. Pauline Yuen were appointed as executive directors of the Company. Ms. Sun Ngai Chu, Danielle and Mr. Yam Chiu Fan, Joseph were appointed as executive directors of the Company on 6 November 2015. Subsequent to the year ended 31 March 2017, Mr. Yam Chiu Fan, Joseph was re-designated as non-executive director of the Company on 1 April 2017.

Mr. Hui Man Ho, Ivan, Mr. Chung Billy and Mr. Mui Pak Kuen were appointed as independent non-executive directors of the Company on 18 January 2018. During the Track Record Period and prior to their appointment, the non-executive directors did not receive any remuneration in their capacity as the Company's directors.

Certain of the directors of the Company received remuneration from the subsidiaries now comprising the Group during the Track Record Period for the appointment as directors or officers of these subsidiaries. The aggregate amounts of remuneration received or receivable by the directors of the Company during the Track Record Period is set out below.

For the year ended 31 March 2016

	Fees HK\$'000	Salaries, bonus and allowances HK\$'000	Other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Mr. Tony Yuen	—	781	496	18	1,295
Ms. Pauline Yuen	—	841	—	18	859
Ms. Sun Ngai Chu, Danielle	—	240	—	6	246
Mr. Yam Chiu Fan, Joseph	—	97	—	5	102
	<u>—</u>	<u>1,959</u>	<u>496</u>	<u>47</u>	<u>2,502</u>

For the year ended 31 March 2017

	Fees HK\$'000	Salaries, bonus and allowances HK\$'000	Other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Mr. Tony Yuen	—	631	368	18	1,017
Ms. Pauline Yuen	—	867	—	18	885
Ms. Sun Ngai Chu, Danielle	—	240	—	12	252
Mr. Yam Chiu Fan, Joseph	—	240	—	12	252
	<u>—</u>	<u>1,978</u>	<u>368</u>	<u>60</u>	<u>2,406</u>

For the four months ended 31 July 2016 (unaudited)

	Fees <i>HK\$'000</i>	Salaries, bonus and allowances <i>HK\$'000</i>	Other benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Tony Yuen	—	210	120	6	336
Ms. Pauline Yuen	—	289	—	6	295
Ms. Sun Ngai Chu, Danielle	—	80	—	4	84
Mr. Yam Chiu Fan, Joseph	—	80	—	4	84
	—	659	120	20	799

For the four months ended 31 July 2017

	Fees <i>HK\$'000</i>	Salaries, bonus and allowances <i>HK\$'000</i>	Other benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Tony Yuen	—	242	120	6	368
Ms. Pauline Yuen	—	295	—	6	301
Ms. Sun Ngai Chu, Danielle	—	80	—	4	84
Mr. Yam Chiu Fan, Joseph	—	80	—	4	84
	—	697	120	20	837

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 included 2, 2, 2 (unaudited) and 2 directors respectively whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3, 3, 3 (unaudited) and 3 individuals are set out below respectively:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i>
Basic salaries and allowances	2,117	2,009	774	1,066
Performance bonus	263	240	96	52
Retirement benefits scheme contributions	54	54	18	18
	2,434	2,303	888	1,136

The emoluments fell within the following bands:

	Number of individuals Year ended 31 March		Number of individuals Four months ended 31 July	
	2016	2017	2016 (unaudited)	2017
Nil to HK\$1,000,000	2	3	3	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

Other than interim dividends totaling HK\$26,470,000 declared by Power Truth during the year ended 31 March 2016 and interim dividends of HK\$8,000,000 and HK\$2,400,000 (unaudited) declared by the Company during the year ended 31 March 2017 and four months ended 31 July 2016 respectively, no dividend has been declared or paid by the companies now comprising the Group during the Track Record Period.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the combined profit of the Group for the year attributable to owners of the Company for the Track Record Period and on the assumption that 600,000,000 shares of the Company are in issue and issuable, comprising 2,000 shares in issue at the date of the Prospectus and 599,998,000 shares to be issued pursuant to the Capitalisation Issue as set out in “History, Development and Reorganisation — Reorganisation” in this Prospectus as if the shares were outstanding throughout the entire Track Record Period.

As there were no dilutive potential ordinary shares during the Track Record Period, no dilution earnings per share is presented.

16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

As stipulated under the relevant rules and regulations in the PRC, the employees of a Group's subsidiary established in the PRC is a member of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

17. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Furniture and fixtures HK\$'000	Biometrics identification devices HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost					
At 1 April 2015	138	313	981	423	1,855
Additions	—	—	—	148	148
Exchange realignment	(1)	—	—	(4)	(5)
At 31 March 2016 and 1 April 2016	137	313	981	567	1,998
Additions	14	—	972	16	1,002
Disposals	—	—	(100)	—	(100)
Write off	—	—	—	(71)	(71)
Exchange realignment	(2)	—	—	(5)	(7)
At 31 March 2017 and 1 April 2017	149	313	1,853	507	2,822
Additions	50	—	—	134	184
Disposals	—	—	(346)	—	(346)
Exchange realignment	1	—	—	2	3
At 31 July 2017	<u>200</u>	<u>313</u>	<u>1,507</u>	<u>643</u>	<u>2,663</u>
Accumulated depreciation					
At 1 April 2015	114	126	843	271	1,354
Charge for the year	7	63	124	99	293
Exchange realignment	(1)	—	—	(3)	(4)
At 31 March 2016 and 1 April 2016	120	189	967	367	1,643
Charge for the year	8	63	285	62	418
Disposals	—	—	(100)	—	(100)
Write off	—	—	—	(69)	(69)
Exchange realignment	(2)	—	—	(5)	(7)
At 31 March 2017 and 1 April 2017	126	252	1,152	355	1,885
Charge for the period	3	21	97	92	213
Disposals	—	—	(346)	—	(346)
Exchange realignment	1	—	—	2	3
At 31 July 2017	<u>130</u>	<u>273</u>	<u>903</u>	<u>449</u>	<u>1,755</u>
Carrying amount					
At 31 July 2017	<u>70</u>	<u>40</u>	<u>604</u>	<u>194</u>	<u>908</u>
At 31 March 2017	<u>23</u>	<u>61</u>	<u>701</u>	<u>152</u>	<u>937</u>
At 31 March 2016	<u>17</u>	<u>124</u>	<u>14</u>	<u>200</u>	<u>355</u>

As at 31 March 2016, 31 March 2017 and 31 July 2017, the motor vehicles held by the Group under finance leases were fully depreciated with carrying amount of nil.

18. INTANGIBLE ASSETS

	The Group Capitalised software costs HK\$'000
Cost	
At 1 April 2015	1,607
Additions	<u>165</u>
At 31 March 2016 and 1 April 2016	1,772
Additions	<u>78</u>
At 31 March 2017, 1 April 2017 and 31 July 2017	<u><u>1,850</u></u>
Accumulated amortisation	
At 1 April 2015, 31 March 2016 and 1 April 2016	1,607
Charge for the year	<u>27</u>
At 31 March 2017 and 1 April 2017	1,634
Charge for the period	<u>16</u>
At 31 July 2017	<u><u>1,650</u></u>
Carrying amount	
At 31 July 2017	<u><u>200</u></u>
At 31 March 2017	<u><u>216</u></u>
At 31 March 2016	<u><u>165</u></u>

Intangible assets represent internally generated capitalised software development costs. Such intangible assets have definite useful life and are amortised on a straight-line basis over 5 years.

19. INTERESTS IN SUBSIDIARIES

(a) Investment in a subsidiary

	The Company		At 31 July
	At 31 March	2017	2017
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment, at cost	<u>22,458</u>	<u>22,458</u>	<u>22,458</u>

The amount represents investment cost in Power Truth.

(b) Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

- (c) Particulars of the subsidiaries of the Company during the Track Record Period and at the date of this report are set out below:

Name	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and paid-up share capital	Percentage of ownership interest/voting power/ profit sharing			At the date of this report	Principal activities/ place of operation
				At 31 March 2016	2017	At 31 July 2017		
Directly held:								
Power Truth	28 August 2014	The British Virgin Islands	1,000 ordinary shares of US\$1 each	100%	100%	100%	100%	Investment holding, Hong Kong
Indirectly held:								
SE Technology	7 June 1999	Hong Kong	HK\$1,500,000	100%	100%	100%	100%	Sales of biometrics identification devices and security products; and provision of application software, Hong Kong
SE Engineering	9 April 2001	Hong Kong	HK\$10,000	100%	100%	100%	100%	Sales of biometrics identification devices and security products; and provision of system installation, application software and repair and maintenance services, Hong Kong
SE R&D	30 May 2003	Hong Kong	HK\$1,000,000	100%	100%	100%	100%	Investment holding; sales of biometrics identification devices and security products; and provision of application software, Hong Kong
SE Macau	13 September 2004	Macau	MOP25,000	100%	100%	100%	100%	Sales and provision of installation and maintenance of security and information technology system, Macau
SE Shenzhen	22 October 2003	PRC	Registered and paid up capital of HK\$10,000,000	100%	100%	100%	100%	Sales of biometrics identification devices; and provision of application software and related after-sale services, PRC

SE Shenzhen is a wholly-foreign owned enterprise established in the PRC.

20. INVENTORIES

	The Group		
	At 31 March 2016 HK\$'000	2017 HK\$'000	At 31 July 2017 HK\$'000
Merchandises	11,853	17,120	14,665

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group's inventories are stated at cost less allowance for inventories.

During the four months ended 31 July 2017, there was an increase in the net realisable value of inventories. As a result, allowance made in prior years against the inventories of approximately HK\$41,000 was reversed. There was no reversal of allowance for inventories for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016.

21. TRADE RECEIVABLES

	The Group		
	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
From third parties	8,612	10,629	13,964
From related parties	12	113	102
	<u>8,624</u>	<u>10,742</u>	<u>14,066</u>

Analysis of trade receivables due from related parties:

	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Long Yield Company Limited ("Long Yield")	<u>12</u>	<u>113</u>	<u>102</u>

Long Yield, a company incorporated in Hong Kong, in which Mr. Yuen Wing Hong, father of Mr. Tony Yuen and Ms. Pauline Yuen and Mr. Li Tat, David, spouse of Ms. Pauline Yuen, are directors of Long Yield.

Long Yield is owned by the following persons who are connected to the Company/directors of the Company:

Name	Capacity in the Company/relationship with directors of the Company	% of interest
Mr. Tony Yuen	Controlling shareholder and director of the Company	3.67%
Ms. Pauline Yuen	Controlling shareholder and director of the Company	1.00%
Ms. Sun Ngai Chu, Danielle	Director of the Company	4.17%
Mr. Yuen Wing Hong	Father of Mr. Tony Yuen and Ms. Pauline Yuen	11.67%
Mr. Li Tat, David	Spouse of Ms. Pauline Yuen	4.17%
Mr. Jackson Yuen	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	12.00%
Mr. Yuen Kwok Hung	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	7.63%
Mr. Yuen Kwok Sun	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	7.63%
Ms. Fung Yuk King	Step mother of Mr. Tony Yuen and Ms. Pauline Yuen	3.33%
Ms. Yuen Mei Lin	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	3.08%

The Group's trading terms with customers are mainly on credit. The credit period granted to the customers generally range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An ageing analysis of trade receivables at the end of each reporting period, based on the invoice date, and net of allowance, is as follows:

	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
0-90 days	6,853	6,988	10,970
91-180 days	997	3,547	2,089
181-365 days	532	119	994
Over 365 days	<u>242</u>	<u>88</u>	<u>13</u>
	<u>8,624</u>	<u>10,742</u>	<u>14,066</u>

As of 31 March 2016, 31 March 2017 and 31 July 2017, trade receivables of approximately HK\$5,481,000, HK\$6,766,000 and HK\$8,833,000 respectively were past due but not impaired. These trade receivables related to customers for whom there was no recent history of default. The ageing analysis of these trade receivables at the end of each reporting period, based on due date, is as follows:

	At 31 March 2016	2017	At 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	4,313	3,492	6,881
90–180 days	465	3,070	980
Over 180 days	703	204	972
	<u>5,481</u>	<u>6,766</u>	<u>8,833</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	At 31 March 2016	2017	At 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	7,893	10,246	12,672
RMB	233	240	1,030
MOP	487	245	364
US\$	11	11	—
	<u>8,624</u>	<u>10,742</u>	<u>14,066</u>

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group			The Company		
	At 31 March 2016	2017	At 31 July 2017	At 31 March 2016	2017	At 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	2,009	1,400	1,484	—	—	—
Prepayments	3,818	3,811	5,895	45	23	13
Value-added tax receivables	539	427	309	—	—	—
Others	5	—	12	—	—	—
	<u>6,371</u>	<u>5,638</u>	<u>7,700</u>	<u>45</u>	<u>23</u>	<u>13</u>

Neither of the above assets is past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AMOUNTS DUE FROM A DIRECTOR/A CORPORATE SHAREHOLDER

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

At 31 March 2016, 31 March 2017 and 31 July 2017, amounts due from a director disclosed pursuant to section 383 to the Hong Kong Companies Ordinance and a corporate shareholder is as follows:

(a) Amount due from a director

	The Group			Maximum outstanding balance		Four months ended 31 July
	At 31 March		At 31 July	During the year ended 31 March		
	2016	2017	2017	2016	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Mr. Tony Yuen	159	—	—	13,098	159	—

(b) Amount due from a corporate shareholder

	The Group			Maximum outstanding balance		Four months ended 31 July 2017
	At 31 March		At 31 July	During the year ended 31 March		
	2016	2017	2017	2016	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Super Arena Limited (“Super Arena”)	4	—	—	14,000	4	—

24. BANK AND CASH BALANCES

At the end of each reporting period, the Group's bank and cash balances are denominated in the following currencies:

	The Group			The Company		
	At 31 March		At 31 July	At 31 March		At 31 July
	2016	2017	2017	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	18,665	10,957	14,008	10	5,509	968
RMB	516	1,034	1,134	—	—	6
MOP	101	182	6	—	—	—
US\$	282	45	128	—	—	5
	19,564	12,218	15,276	10	5,509	979

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. TRADE PAYABLES

	The Group		At 31 July
	At 31 March	2017	2017
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables	<u>1,363</u>	<u>2,132</u>	<u>1,491</u>

An ageing analysis of the Group's trade payables at the end of each reporting period, based on invoice date, is as follows:

	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
0–30 days	957	1,540	1,113
31–60 days	279	106	66
Over 60 days	<u>127</u>	<u>486</u>	<u>312</u>
	<u>1,363</u>	<u>2,132</u>	<u>1,491</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
HK\$	1,132	508	541
RMB	54	167	39
US\$	177	1,451	880
EURO	<u>—</u>	<u>6</u>	<u>31</u>
	<u>1,363</u>	<u>2,132</u>	<u>1,491</u>

26. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	The Group			The Company		
	At 31 March	At 31 July	At 31 July	At 31 March	At 31 July	At 31 July
	2016	2017	2017	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits received from customers	1,239	1,117	933	—	—	—
Accruals for operations	2,552	2,786	3,754	23	60	23
Dividends payable	5,165	—	—	—	—	—
Others	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>8,965</u>	<u>3,903</u>	<u>4,687</u>	<u>23</u>	<u>60</u>	<u>23</u>

27. DEFERRED INCOME

	The Group		At 31 July
	At 31 March	2017	2017
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Deferred income	<u>3,671</u>	<u>4,671</u>	<u>4,155</u>

The amounts represent the receipts from sales of maintenance and other service packages to customers.

As at 31 March 2016, 31 March 2017 and 31 July 2017, deferred income were classified in accordance with the expiry date of the maintenance and other service contracts were entered into.

	The Group		
	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
<i>Analysed for reporting purpose:</i>			
Current liabilities	3,603	4,447	3,992
Non-current liabilities	68	224	163
	<u>3,671</u>	<u>4,671</u>	<u>4,155</u>

28. BANK BORROWINGS

	The Group		
	At 31 March		At 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Import/export loans	<u>2,734</u>	<u>1,450</u>	<u>1,660</u>

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group's bank borrowings are denominated in HK\$.

The bank borrowings of the Group are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The average interest rate of the Group's bank borrowings during the Track Record Period are as follows:

	At 31 March		At 31 July
	2016	2017	2017
Import/export loans	<u>5%</u>	<u>5%</u>	<u>5%</u>

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group's import/export loans were due within one year and contain a repayment on demand clause.

The Group's banking facilities are secured by:

- (a) Unlimited personal guarantee provided by Mr. Jackson Yuen, a sibling of Mr. Tony Yuen and Ms. Pauline Yuen, and a brother-in-law of Mr. Yam Chiu Fan, Joseph, for the Group's banking facilities as at 31 March 2016;
- (b) A property of a related company as detailed in note 36(b)(ii) to the Historical Financial Information for the Group's banking facilities as at 31 March 2016;
- (c) Guarantee to the extent of HK\$5,000,000 provided by a former related company for the Group's banking facilities as at 31 March 2016;
- (d) An unlimited cross guarantee issued by certain subsidiaries within the Group and a related company as detailed in notes 35 and 36(b)(iii) to the Historical Financial Information for the Group's banking facilities as at 31 March 2016;
- (e) An unlimited guarantee issued by certain subsidiaries within the Group for the Group's banking facilities as at 31 March 2017 and 31 July 2017;
- (f) Registered security over deposits of certain subsidiaries within the Group to the extent of amount borrowed by the Group as at 31 March 2016, 31 March 2017 and 31 July 2017; and

- (g) Unlimited personal guarantee provided by a director as detailed in note 36(b)(i) to the Historical Financial Information for the Group's banking facilities as at 31 March 2016, 31 March 2017 and 31 July 2017.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group had undrawn facilities amounted to approximately HK\$2,266,000, HK\$3,550,000 and HK\$3,340,000 respectively.

As at 31 March 2017, the Group failed to fulfill a covenant clause of a banking facility agreement that the Group is required to maintain the sum of cash or investment balance in that bank of at least HK\$5 million at all time under all companies of the listing Group. As of 31 March 2017, the cash balance of the Group maintained at that bank was HK\$4.2 million which breached the covenant clause of the banking facility agreement. As a result, the bank borrowings of approximately HK\$1,450,000 as at 31 March 2017 drawn under this banking facility would become repayment on demand. On 21 April 2017, the level of cash balance of the Group maintained at that bank was restored at above HK\$5 million and no early repayment option was exercised by the bank.

29. FINANCE LEASE PAYABLES

	The Group					
	Minimum lease payments			Present value of minimum lease payments		
			At			At
	At 31 March 2016	At 31 March 2017	31 July 2017	At 31 March 2016	At 31 March 2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	120	44	22	116	44	22
In the second to fifth years, inclusive	44	—	—	44	—	—
	164	44	22	160	44	22
Less: Future finance charges	(4)	—	—	N/A	N/A	N/A
Present value of lease obligations	160	44	22	160	44	22
Less: Amount due for settlement within 12 months (shown under current liabilities)				(116)	(44)	(22)
Amount due for settlement after 12 months				44	—	—

The Group had leased certain motor vehicles under finance leases. The average lease term is 4.5 years. During the Track Record Period, the average effective borrowing rate was 3.73%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in HK\$. The finance lease payables of the Group are secured by the lessor's title to the leased assets.

30. DEFERRED TAXATION

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group has unused tax losses of approximately HK\$746,000, HK\$907,000 and HK\$313,000 respectively that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams. Included in unrecognised tax losses as at 31 March 2016, 31 March 2017 and 31 July 2017 are losses of approximately HK\$746,000, HK\$712,000 and HK\$118,000 respectively that will expire in five years for offsetting against future taxable profits. Other tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Note	Number of shares	Amounts HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At the date of incorporation, 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017 and 31 July 2017			
	(a)	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
1 share allotted and issued at the date of incorporation	(a)	1	—*
Issue of shares for cash on 16 October 2015	(a)	999	—*
Issue of shares on Reorganisation on 10 November 2015	(b)	<u>1,000</u>	<u>—*</u>
At 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017 and 31 July 2017			
		<u>2,000</u>	<u>—*</u>

* Represents amount less than HK\$1,000

Notes:

- (a) The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 16 October 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which 1 Share of par value HK\$0.01 was allotted and issued fully paid to an initial subscriber at par who then transferred the same Share to Delighting View at par on the same date. On 16 October 2015, an aggregate of 999 Shares were allotted and issued fully paid as to 390 Shares to Super Arena and 609 Shares to Delighting View at par. Such allotments were completed on 16 October 2015.
- (b) On 10 November 2015, the Company allotted and issued 610 Shares and 390 Shares of HK\$0.01 each (all credited as fully paid) to Delighting View and Super Arena respectively, as consideration of Yuen's Family and Super Arena transferring their entire issued share capital of Power Truth pursuant to a share transfer agreement entered into between the Company as purchaser; and Yuen's Family and Super Arena as vendors dated 10 November 2015 pursuant to the Group Reorganisation.

Further details of notes (a) and (b) of the Company's share capital and the capitalisation issue are set out in "History, Development and Reorganisation — Reorganisation" in this Prospectus.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group is not subject to any externally imposed capital requirements.

32. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein are presented in the combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity.

(b) Nature and purpose of reserves*(i) Share premium account*

Prior to the Group Reorganisation, the amount of share premium represents premium arising from the issue of shares of Power Truth at prices in excess of their par value per share.

(ii) Merger reserve

Merger reserve represents the difference between the aggregated amount of the combined share capital, combined share premium and combined capital reserve of the subsidiaries now comprising the Group at the date on which Power Truth was acquired by the Company, over the nominal value of 2,000 shares issued by the Company pursuant to the Group Reorganisation.

(iii) Legal reserve

The Macao Commercial Code number 377 requires that companies incorporated in Macau should set aside a minimum of 25% of their respective profit after income tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of their capital.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c)(iii) to the Historical Financial Information.

(v) Contributed surplus

The contributed surplus arose from the excess of the consideration over the nominal value of the 1,000 shares issued by the Company pursuant to the Group Reorganisation on 10 November 2015. The consideration represented the net asset value of Power Truth as at 30 September 2015.

33. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS**Major non-cash transaction**

During the year ended 31 March 2016, Power Truth declared an interim dividend of HK\$26,470 per ordinary share totaling HK\$26,470,000 in which HK\$21,305,000 had been paid and the remaining balance of dividends payable amounted to HK\$5,165,000 was settled by crediting against other payables and paid to the then equity holders during the year ended 31 March 2017.

34. CAPITAL COMMITMENTS

At 31 March 2016, 31 March 2017 and 31 July 2017, the Group did not have any capital commitments.

35. CONTINGENT LIABILITIES

Financial guarantee issued

As at 31 March 2016, SE Engineering, SE Technology and Global Technology (collectively referred to as the "Parties"), had issued an unlimited cross guarantee ("Unlimited Cross Guarantee") to a bank in respect of a banking facility granted to the Parties pursuant to which, the Parties are jointly and severally liable for all or any borrowings drawn by each of them from the bank. Save for disclosed in note 28(b) to the Historical Financial Information, the banking facility was also secured by a property owned by Global Technology (the "Pledged Property").

As at 31 March 2016, the maximum potential liability of the Group under the Unlimited Cross Guarantee is the outstanding amount of bank loans drawn by Global Technology at that date of approximately HK\$3,611,000. The directors are of the opinion that it is not probable that a claim will be made against the Group under the Unlimited Cross Guarantee due to the fact that the estimated market value of the Pledged Property as at 31 March 2016 was sufficient to cover the outstanding amount of bank loans obtained by Global Technology.

The fair values of the Unlimited Cross Guarantee at the date of inception and as at 31 March 2016 are not material to the Group and not recognised in the Historical Financial Information.

Subsequent to 16 February 2017, the Unlimited Cross Guarantee has been expired without renewal.

36. RELATED PARTY TRANSACTIONS

Other than those balances of related party disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with its related parties during the Track Record Period.

(a) Transactions with related party

	<i>Note</i>	Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Sales of goods to related companies:					
— Systec	(i), (iii)	6	—	—	—
— Long Yield	(i)	168	239	32	30
— Grant Success Properties Limited ("Grant Success")	(i), (ii)	232	—	—	—
— SoHo Business Center Limited ("SoHo")	(i), (ii)	13	—	—	—
		<u>419</u>	<u>239</u>	<u>32</u>	<u>30</u>
Services rendered to related companies					
— Systec	(i), (iii)	2	—	—	—
— Long Yield	(i)	191	86	21	28
— Grant Success	(i), (ii)	295	—	—	—
— SoHo	(i), (ii)	11	30	—	40
		<u>499</u>	<u>116</u>	<u>21</u>	<u>68</u>
Management fee income received from a related company	(i), (iii)	<u>48</u>	<u>—</u>	<u>—</u>	<u>—</u>
Rental expenses paid to a related company	(i), (iv)	<u>900</u>	<u>900</u>	<u>300</u>	<u>300</u>

Notes:

- (i) The pricing of the related party transactions are mutually agreed by the Group and related companies.
- (ii) Mr. Tony Yuen and Ms. Pauline Yuen have significance influence over Grant Success and SoHo.

Grant Success is owned by the following persons who are connected to the Company/directors of the Company:

Name	Capacity in the Company/relationship with directors of the Company	% of interest
Mr. Tony Yuen	Controlling shareholder and director of the Company	18.00%
Ms. Pauline Yuen	Controlling shareholder and director of the Company	8.50%
Ms. Sun Ngai Chu, Danielle	Director of the Company	10.00%
Ms. Wong Ka Man	Spouse of Mr. Tony Yuen	5.00%
Mr. Jackson Yuen	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	16.00%
Mr. Yuen Kwok Hung	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	11.00%
Mr. Yuen Kwok Sun	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	11.00%
Ms. Yuen Mei Lin	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	5.50%

SoHo is owned by the following persons who are connected to the Company/directors of the Company:

Name	Capacity in the Company/relationship with directors of the Company	% of interest
Mr. Tony Yuen	Controlling shareholder and director of the Company	18.00%
Ms. Pauline Yuen	Controlling shareholder and director of the Company	8.50%
Ms. Sun Ngai Chu, Danielle	Director of the Company	10.00%
Ms. Wong Ka Man	Spouse of Mr. Tony Yuen	5.00%
Mr. Jackson Yuen	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	16.00%
Mr. Yuen Kwok Hung	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	11.00%
Mr. Yuen Kwok Sun	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	11.00%
Ms. Yuen Mei Lin	Sibling of Mr. Tony Yuen and Ms. Pauline Yuen	5.50%

- (iii) The amounts represent revenue from Systec up to 21 September 2015 and prior to the disposals of the Carve-out Entities to Fine Day (as more fully explained in "History, Development and Reorganisation" in this prospectus).

During the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017, revenue from sales of goods, services rendered and management fee charged to Systec are set out below:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Sales of goods	28	15	7	—
Services rendered	12	8	3	—
Management fee income	48	—	—	—

- (iv) The amounts represent rentals paid to Global Technology for leasing an office.

(b) Guarantee

- (i) As at 31 March 2016, 31 March 2017 and 31 July 2017, Mr. Tony Yuen had provided unlimited guarantee in favour of banking facilities granted to certain subsidiaries within the Group.
- (ii) As at 31 March 2016, Global Technology had pledged its property to secure banking facilities granted to certain subsidiaries within the Group.
- (iii) As at 31 March 2016, an unlimited cross guarantee had been issued by Global Technology and certain subsidiaries within the Group to a bank to secure banking facilities granted to each other.

Details of which are set out in note 28 to the Historical Financial Information.

(c) Key management remuneration

Key management mainly represents the Company's directors. Their remunerations have been disclosed in note 13(a) to the Historical Financial Information.

37. LEASE COMMITMENTS

As at 31 March 2016, 31 March 2017 and 31 July 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March 2016	2017	At 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,367	1,628	1,315
In the second to fifth years inclusive	<u>1,378</u>	<u>330</u>	<u>60</u>
	<u><u>2,745</u></u>	<u><u>1,958</u></u>	<u><u>1,375</u></u>

During the Track Record Period, operating lease payments represent rentals payable by the Group for certain of its offices and staff quarters. For the years ended 31 March 2016, 31 March 2017 and 31 July 2017, leases are negotiated for an average term of 2, 2 and 2 years respectively and rentals are fixed over the lease terms and do not include contingent rentals.

38. EVENTS AFTER THE REPORTING PERIOD

- (a) On 18 January 2018, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of all the Shareholders" in Appendix IV to the Prospectus.
- (b) A Share Option Scheme has been conditionally approved and adopted by the Company on 18 January 2018, the principal terms of which are summarised in the paragraphs headed "Share Option Scheme" in Appendix IV to the Prospectus.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2017.

For illustrative purpose only, the pro forma financial information prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Share Offer and to illustrate the performance of the Group had the Share Offer been completed on 31 July 2017.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 July 2017. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to owners of the Company as of 31 July 2017 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share (Note 3) HK\$
Based on the low-end of the Offer Price of HK\$0.27 per Share	<u>38,817</u>	<u>38,290</u>	<u>77,107</u>	<u>0.10</u>
Based on the high- end of the Offer Price of HK\$0.35 per Share	<u>38,817</u>	<u>53,650</u>	<u>92,467</u>	<u>0.12</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as of 31 July 2017 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 31 July 2017 of approximately HK\$39,017,000 with an adjustment for the intangible assets as at 31 July 2017 of approximately HK\$200,000.
- (2) The adjustment to the pro forma statement of combined net tangible assets reflects the estimated proceeds from the Share Offer to be received by the Company. The estimated proceeds from the Share Offer is based on the Offer Price of HK\$0.27 and HK\$0.35, respectively, being the low-end and high-end price of the stated Offer Price range, and 200,000,000 Shares, net of underwriting fee and other estimated issue expenses (taking into account the effect of listing-related expenses which have been accounted for prior to 31 July 2017) payable of approximately HK\$15.7 million and HK\$16.4 million respectively, and takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.

- (3) The unaudited pro forma adjusted combined net tangible assets and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 shares are expected to be in issue following the Share Offer (including 200,000,000 shares newly issued upon the Share Offer) had been completed on 31 July 2017 and respective Offer Price of HK\$0.27 and HK\$0.35 per Share and takes no accounts of (i) any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option; and (ii) the number of share options that may be vested and may become exercisable upon the date of the Listing under the Share Option Scheme.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered subsequent to 31 July 2017.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, World Link CPA Limited, Certified Public Accountants, Hong Kong.

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

5th Floor
Far East Consortium Building
121 Des Voeux Road Central,
Hong Kong

30 January 2018

The Board of Directors
Prime Intelligence Solutions Group Limited

Ample Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Prime Intelligence Solutions Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted combined net tangible assets as at 31 July 2017 as set out on pages II-1 to II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Section A of Appendix II to this prospectus.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Share Offer of 200,000,000 Shares of HK\$0.01 each in the Company on the Group's adjusted net tangible assets as at 31 July 2017 as if the Share Offer had been taken place at 31 July 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the prospectus.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
World Link CPA Limited
Certified Public Accountants
Hong Kong

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number — P06633

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 January 2018 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued

and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached 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). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares 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 proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares 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.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons,

including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, 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) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution 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 member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all the members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed 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;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and 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 of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) 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 requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the

member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the 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, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) 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. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles

provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) 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 shall be 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, then 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 shall be 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 October 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies 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 must conduct its operations mainly outside the Cayman Islands. Moreover, 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 authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The 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 such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares.

Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy 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

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of 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 (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 17 November 2015.

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 certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The 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 of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company 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.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND THE SUBSIDIARIES**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 16 October 2015. The Company has established a principal place of business in Hong Kong at Unit 1, 13/F, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 9 December 2015. In connection with such registration, Mr. Chou of Flat H, 38/F, Block 5, Caribbean Coast, Tung Chung, New Territories, Hong Kong has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of the Company

The authorised share capital of the Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 16 October 2015, one fully paid Share was allotted and issued to the subscriber at par who then transferred the same to Delighting View at par. On the same date, 390 Shares were allotted and issued to Super Arena and 609 Shares were allotted and issued to Delighting View fully-paid at par.

On 10 November 2015, the Company allotted and issued 390 Shares and 610 Shares (all credited as fully paid) to Super Arena and Delighting View (at the direction of Mr. Tony Yuen and Ms. Pauline Yuen) respectively in consideration of Super Arena, Mr. Tony Yuen and Ms. Pauline Yuen transferring 390 shares, 518 shares and 92 shares respectively, being the entire issued share capital of Power Truth, to the Company.

On 18 January 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 new Shares of which the rights are identical to those of the existing Shares in all aspects pursuant to a resolution in writing passed by the Shareholders referred to in the paragraph headed “Written resolutions of all the Shareholders” in this appendix.

Immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be fall to be issued upon exercise of the Offer Size Adjustment Option, and any option that may be granted under the Share Option Scheme), the authorised share capital of the Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital of the Company will be HK\$8,000,000 divided into 800,000,000 Shares, fully paid or credited as fully paid, with 4,200,000,000 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of all the Shareholders” in this appendix, the Directors do 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. Save as disclosed in “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Changes in share capital of the subsidiaries of the Company

The Company’s subsidiaries are listed in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in “History, Development and Reorganisation” in this prospectus, there has been no other change to the share capital of any of the subsidiaries of the Company within the two years immediately prior to the date of this prospectus.

4. Written resolutions of all the Shareholders

Pursuant to the written resolutions of all the Shareholders passed on 18 January 2018:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of 4,962,000,000 new Shares ranking pari passu with the existing Shares in all respects;
- (b) the Memorandum and the Articles were conditionally adopted with effect from Listing;
- (c) conditional upon the conditions stated in “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled or waived (as the case may be):
 - (i) the Share Offer and the grant of the Offer Size Adjustment Option by the Company were approved and the Directors were authorised to approve the allot and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (ii) the Share Option Scheme was approved and adopted with such additions, amendments or modifications thereto as may be approved by the Directors or any committee of the Board and the Directors or any committee of the Board were authorised to implement the Share Option Scheme, to grant options thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as the Directors consider necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise a maximum amount of HK\$5,999,980 standing to the credit of the share premium account of the Company and to appropriate such amount in paying up in full at par 599,998,000 Shares for allotment and issue to the holders of issued Shares whose names appear on the register of members of the Company at close of business on 18 January 2018 (or as they may direct), and the Directors were authorised to give effect to such capitalisation and distribution;

- (iv) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares or securities or options convertible into Shares with an aggregate nominal value not exceeding (aa) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in subparagraph (vi) below, 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, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first (the “**Relevant Period**”);
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorising them to exercise all powers of the Company to repurchase the Shares listed on GEM, 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, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares to be issued upon exercise of the Offer Size Adjustment Option, and such mandate to remain in effect during the Relevant Period;
- (vi) the general unconditional mandate as mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (v) above; and
- (vii) any of the Director was authorised to sign for and on behalf of the Company an undertaking to be given to the Stock Exchange relating to the exercise of the Repurchase Mandate.

5. Corporate reorganisation

The Group has undergone a reorganisation in preparation for the Listing. Further details of the Reorganisation are set out in “History, Development and Reorganisation” in this prospectus.

6. Repurchase by the Company of its own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities. The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase in cash their securities on GEM subject to certain restrictions, a summary of which is set out below:

(a) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders on 18 January 2018, the Repurchase Mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase the Shares listed on GEM, 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, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares to be issued upon exercise of the Offer Size Adjustment Option, and such mandate to remain in effect during the period from the date of passing this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; or (ii) the date by which the next annual general meeting of the Company is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held, or (iii) the date on which the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors under such mandate.

(b) Source of funds

Any repurchase by the Company may only be funded out of funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Islands law, any repurchase by the Company may be made out of profits of the Company, out of the Company's share premium account 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 and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be

purchased must be provided for out of the profit of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(c) Exercise of the Repurchase Mandate

On the basis of exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be issued under the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme), the Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares.

The GEM Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(d) Dealing restrictions

The Company may repurchase up to 10% of the aggregate number of Shares in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of options that may be granted under the Share Option Scheme).

The Company shall not repurchase the Shares on GEM if that repurchase would result in the number of the Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any repurchase of the Shares without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing the Shares on GEM at any time after inside information has come to its knowledge until the information is made publicly available.

The Company shall procure that any broker appointed by the Company to effect the repurchase shall disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the Company as the Stock Exchange may request.

(e) Core connected persons

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial shareholder or any of the subsidiaries of the Company or a close associate of any of them and a core connected person shall not knowingly sell Shares to the Company.

(f) Reasons for repurchases

The Board 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 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 the Shareholders.

(g) Funding of repurchases

In repurchasing its Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules.

On the basis of the Company's current financial position as disclosed in this prospectus and taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse effect on the working capital and/or gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

(h) General

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to the Company 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.

If, as a result of a repurchase of Shares, 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 the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert could as a result of increase of its or their interest, 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 repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate.

No core connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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 the members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a deed of non-competition dated 18 January 2018 and executed by Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View in favour of the Company, details of which are set out in “Relationship with the Controlling Shareholders — Deed of Non-competition” in this prospectus;
- (b) a deed of indemnity dated 18 January 2018 and executed by Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View in favour of the Company containing the indemnities more particularly referred to in the paragraph headed “Other information — Tax and other indemnities” in this appendix; and
- (c) the Public Offer Underwriting Agreement.

2. Intellectual property rights of the Group*(a) Trademarks*

As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
A)  C) 	SE Technology	Hong Kong	9, 35, 42	303606084	22 November 2025
B)  D) 					
A) 	SE Technology	Hong Kong	9, 35, 42	303613202	29 November 2025
B) 					

(b) Domain names

As at the Latest Practicable Date, the Group had registered the following domain names:

Domain name	Registrant	Registration or effective date	Expiry date
sebiotec.com.hk	SE Technology	24 May 2012	24 May 2018
sebiotec.com	SE Technology	21 May 2015	21 May 2018
se-bio.com	SE Technology	13 May 2008	13 May 2018
solutionexpert.com.hk	SE Technology	17 June 1999	1 October 2021
sebiotec.com.cn	SE Shenzhen	11 May 2012	11 May 2020

C. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT 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

Immediately following completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options which are to 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 section 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:

Name of Director	Capacity/ nature of interest	Number of Shares	Approximate percentage of interest in the Company
Mr. Tony Yuen	Interest of a controlled corporation ^(Note)	366,000,000 (long position)	45.75%
Ms. Pauline Yuen	Interest of a controlled corporation ^(Note)	366,000,000 (long position)	45.75%

Note: Upon completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer, Delighting View will directly hold 366,000,000 Shares. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.

2. Interests and short positions of substantial shareholders in the Shares and underlying Shares

Immediately following completion of the full conversion of the Pre-IPO Convertible Bonds, 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 the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, 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 interested, directly or indirectly, in 10% or more of the issued voting shares of any member of the Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in the Company
Delighting View	Beneficial owner ^(Note 1)	366,000,000 (long position)	45.75%
Super Arena	Beneficial owner ^(Note 2)	234,000,000 (long position)	29.25%
Mr. Kor	Interest of a controlled corporation ^(Note 2)	234,000,000 (long position)	29.25%

Notes:

1. Upon completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer, Delighting View will directly hold 366,000,000 Shares. As Delighting View is beneficially owned as to 85% and 15% by Mr. Tony Yuen and Ms. Pauline Yuen respectively and Mr. Tony Yuen and Ms. Pauline Yuen are parties acting in concert, each of Mr. Tony Yuen and Ms. Pauline Yuen is deemed to be interested in all the Shares held by Delighting View under the SFO.
2. Upon completion of the full conversion of the Pre-IPO Convertible Bonds, the Capitalisation Issue and the Share Offer, Super Arena will directly hold 234,000,000 Shares. As Super Arena is beneficially owned as to 70% by Mr. Kor, Mr. Kor is deemed to be interested in all the Shares held by Super Arena under the SFO.

3. Particulars of 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. Each service agreement is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other not less than three months' prior notice in writing. Under the service agreements, the initial annual salary payable to the executive Directors is as follows:

Name	HK\$
<i>Executive Directors</i>	
Mr. Tony Yuen	660,000
Ms. Pauline Yuen	804,000
Ms. Danielle Sun	240,000

Mr. Tony Yuen is provided with a staff quarters by the Group. For details of the staff quarters, please refer to "Business — Real properties" in this prospectus. Each of the executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the 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 and discretionary bonus payable to himself.

(b) Non-executive Director and independent non-executive Directors

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company under which each of them is appointed for a period of three years with effect from the Listing Date unless and until it is terminated by the Company or the Director giving to the other not less than three months' prior notice in writing. The annual director's fee payable to each of the non-executive Director and independent non-executive Directors is as follows:

Name	HK\$
<i>Non-executive Director</i>	
Mr. Joseph Yam	240,000
<i>Independent non-executive Directors</i>	
Mr. Mui Pak Kuen	120,000
Mr. Chung Billy	120,000
Mr. Hui Man Ho, Ivan	120,000

Save for the annual director's fees mentioned above, none of the non-executive Director and independent non-executive Directors is entitled to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director.

None of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

The Company's policies concerning remuneration of the Directors are as follows:

- (a) the amount of remuneration is determined by the Remuneration Committee and on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
- (b) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (c) the Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of his remuneration package.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the aggregate emoluments (including director's fee, salaries and other benefits, discretionary bonus and contributions to retirement benefits scheme) paid by the Group to the Directors were approximately HK\$2.5 million, HK\$2.4 million and HK\$0.8 million. Further information in respect of the Directors' remuneration is set out in the Accountants' Report set out in Appendix I to this prospectus.

It is expected that an aggregate of approximately HK\$2.1 million will be paid as remuneration (excluding payment pursuant to any benefits, bonus, granting of share options or other fringe benefits) to the Directors by the Group in respect of the financial year ending 31 March 2018 pursuant to the present arrangement.

Save as disclosed in the Accountants' Report set out in Appendix I to this prospectus, none of the Directors received any remuneration or benefits in kind from the Group during the Track Record Period.

5. Agency fees or commissions received

Information on the agency fees or commissions payable to the Underwriters is set out in "Underwriting — Commission and expenses" in this prospectus.

Save as disclosed herein and in "Directors and Senior Management" and Appendix I to this prospectus, none of the Directors or experts (as named in the paragraph headed "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 of the Company within two years immediately preceding the date of this prospectus.

6. Related party transactions

During the two years preceding the date of this prospectus, the Group was engaged in related party transactions as described in note 36 to the Accountants' Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) so far as the Directors are aware, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which 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 he will be taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or which will be required, 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, once the Shares are listed;
- (ii) so far as the Directors are aware, none of the Directors and experts referred to under the paragraph heading “Consents of experts” in this appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iii) none of the Directors and experts referred to under the paragraph heading “Consents 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;
- (iv) none of the Directors has any existing or proposed service contracts with any member of the Group, excluding contracts which are determinable by the employer within one year without payment of compensation other than statutory compensation;
- (v) the Directors are not aware of any person, not being a Director or chief executive of the Company, who will, immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), be interested in or has short positions in the Shares or underlying Shares of the Company which have to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO once the Shares are listed, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group;
- (vi) none of the experts referred to under the paragraph heading “Consents of experts” in this appendix has any shareholding 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; and

- (vii) so far as the Directors are aware, none of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) immediately following completion of the Share Offer has any interest in the Group's five largest suppliers and five largest customers.

D. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 18 January 2018 are set out below:

1. Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

2. Who may join

The Directors (which expression shall, for the purpose of this paragraph D, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of our subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");
- (b) any non-executive director (including independent non-executive director) of the Company, any Subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

3. Maximum number of Shares

- (a) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the Shares in issue from time to time.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 80,000,000 Shares) (the “**General Scheme Limit**”) provided that:
 - (i) Subject to paragraph (a) above and without prejudice to paragraph (ii) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.
 - (ii) Subject to paragraph (a) above and without prejudice to paragraph (i) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph (i) above to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified

participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

4. Maximum entitlement of each participant

Subject to paragraph (5)(b) below, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being (“**Individual Limit**”). Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. the Company must send a circular to the Shareholders and the circular must disclose the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rules 23.02(4) of the GEM Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

5. Grant of options to connected persons

- (a) Without prejudice to paragraph (b) below, any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the option).
- (b) Without prejudice to paragraph (a) above, where any grant of options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1 % of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. the Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general

meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

6. Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

7. Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

8. Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of the Directors, provided that it shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (c) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

9. Ranking of Shares

- (a) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

- (b) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company from time to time.

10. Restrictions on the time of grant of options

The Company may not make any offer for grant of options after inside information has come to our knowledge until the Company has announced the information. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for the Company to announce our results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement.

The Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

11. Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

12. Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (14) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its Subsidiaries or any Invested Entity.

13. Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise

the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

14. Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

15. Rights on breach of contract

If the Directors shall at their absolute discretion determine that (a) the grantee of any option (other than an Eligible Employee) or his close associates (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and the Group or any Invested Entity on the other part; or (b) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in (a), (b) or (c) above.

16. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

17. Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

18. Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (a) sub-paragraphs (12), (13), (14) and (15) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (12), (13), (14) and (15) shall occur with respect to the relevant Eligible Participant; and
- (b) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Adjustments to the subscription price

In the event of a rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company or otherwise howsoever but shall not in any event exceed the limits imposed by the GEM Listing Rules whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subscription price of any option, and/or (unless the relevant grantee elects to waive such adjustment) the number of Shares consisted in an option or which remains consisted in an option, provided that (a) any adjustments shall give a grantee the same proportion of the issued Share for which he would have been entitled subscribe had he exercised the options held by him immediately prior to such adjustment; (b) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (c) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any adjustment. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange.

20. Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (3) (i) and (ii) above.

21. Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

23. Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period referred to in paragraph (6);
- (b) the expiry of the periods or dates referred to in paragraph (12), (13), (14), (15), (17) and (18);
- (c) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (22) above by the grantee in respect of that or any other options.

24. Others

- (a) The Share Option Scheme is conditional, among others, on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (b) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

- (c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

Present status of the Share Option Scheme

(i) Approval of the Listing Division required

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Tony Yuen, Ms. Pauline Yuen and Delighting View (collectively the “**Indemnifiers**”) have executed the Deed of Indemnity in favour of the Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of the Group against the following:

- (a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);
- (b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below; and
- (c) any liability which are suffered by us in connection with certain incidents of non-compliance with the applicable laws and requirements (including the non-compliance incidents set out in “Business — Non-compliance” in this prospectus) during the Track Record Period.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraphs (a) and (b) above:

- (1) to the extent that provision or reserve has been made for such taxation in the audited accounts of the Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 31 July 2017 which arises in the Group’s ordinary course of business; or
- (2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after 1 August 2017 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or
- (3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or
- (4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

- (5) to the extent of any provision or reserve made for taxation in the audited accounts of the Group up to 31 July 2017 and which is finally established to be an over-provision or an excessive reserve.

2. Litigation

As at the Latest Practicable Date, to the best of the Directors' knowledge, there were no current litigation or any pending or threatened litigation or arbitration proceedings against any member of the Group that could have a material adverse effect on the Group's financial condition or results of operation.

3. The Sponsor

The Sponsor has made an application on behalf of the Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option and the options granted under the Share Option Scheme on the Stock Exchange.

The Sponsor declared its independence from the Company pursuant to Rule 6A.07 of the GEM Listing Rules and satisfies the independence criteria applicable to the Sponsor set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fee is approximately HK\$4.9 million.

4. Preliminary expenses

The estimated preliminary expenses borne by the Company are approximately HK\$38,000 and are payable by the Company.

5. Advisory fees or commissions received

The Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of all Offer Shares (including Shares to be issued pursuant to the Offer Size Adjustment Option), and the Sponsor will in addition receive a financial advisory (sponsorship) and documentation fee as referred to in "Underwriting — Commission and expenses" in this prospectus.

6. Promoter

The Company has no promoter.

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:

Name	Qualification
Ample Capital Limited	A corporation licensed under the SFO to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
Appleby	Cayman Islands legal advisers
Access Partner Consultancy & Appraisals Limited	Property valuer
Ipsos Limited	Independent market research agent
Ms. Ng Wing Shan, Queenie	A barrister-at-law in Hong Kong
Shu Jin Law Firm	Registered law firm in the PRC
World Link CPA Limited	Certified Public Accountants
ECOVIS David Yeung Hong Kong	Tax adviser

8. Consents of experts

Each of the parties listed in the paragraph above headed “Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, report, opinions and/or summaries of opinions (as the case may be) and references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version of this prospectus shall prevail.

11. Share Registrar

The register of members of the Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to 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. Material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position since 31 July 2017 (being the date to which the latest audited combined financial statements of the Group were made up) and up to the date of this prospectus.

13. Miscellaneous

Save as disclosed in this prospectus:

- (a)
 - (i) within two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iii) within two years immediately preceding the date of this prospectus, no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares;
 - (iv) no share, warrant 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; and
 - (v) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus;
- (b) the Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (c) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (d) the Directors confirm that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of the Company;
- (e) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (f) none of the experts referred to under the paragraph headed “Consents of experts” in this appendix;
- (i) interested beneficially or non-beneficially in any shares or loan capital in any member of the Group; or
- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (g) there is no arrangement under which future dividends are waived or agreed to be waived.

14. 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.

The Directors have been advised that no material liability for estate duty under the laws of Hong Kong would likely fall upon any member of the Group.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or their parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

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 copy of each of the Application Forms, copies of the written consents referred to in the paragraph headed “Consents of experts” of Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loeb & Loeb LLP at 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles;
- (b) the accountants’ report prepared by World Link CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of the Group for the two years ended 31 March 2017 and the four months ended 31 July 2017;
- (d) the letter relating to unaudited pro forma financial information issued by World Link CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter prepared by Appleby, the Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the fair rent opinion report issued by Access Partner Consultancy & Appraisals Limited, an independent property valuer, in respect of the Tenancy Agreement;
- (g) the legal opinions on the Group’s operations and property interest in the PRC and the Reorganisation issued by Shu Jin Law Firm;
- (h) the legal opinions issued by Ms. Ng Wing Shan, Queenie, the Hong Kong Legal Counsel, on, among other things, certain non-compliance incidents of the Group;
- (i) the Ipsos Report;
- (j) the report issued by ECOVIS David Yeung Hong Kong, a tax adviser, in relation to the transfer pricing exposures of the Group’s operations;
- (k) the Companies Law;
- (l) the service agreements and letters of appointment referred to in the paragraph headed “Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme;
- (n) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus; and
- (o) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus.

Prime Intelligence Solutions Group Limited
匯安智能科技集團有限公司