

**VISTAR HOLDINGS LIMITED**

**熒德控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock code: 8535

# SHARE OFFER

**Sponsor**

**SUNWAH KINGSWAY**  
**新華滙富**

Kingsway Capital Limited

**Joint Bookrunners and Joint Lead Managers**

**SUNWAH KINGSWAY**  
**新華滙富**

Kingsway Financial Services Group Limited

**SBI** China  
Capital

SBI China Capital Financial Services Limited

# IMPORTANT

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

## VISTAR HOLDINGS LIMITED

### 熒德控股有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	:	300,000,000 Shares
Number of Placing Shares	:	270,000,000 Shares (subject to re-allocation)
Number of Public Offer Shares	:	30,000,000 Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$0.23 per Offer Share and not less than HK\$0.17 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 per Share
Stock Code	:	8535

Sponsor

**SUNWAH KINGSWAY**

**新華滙富**

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

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Kingsway Financial Services Group Limited



SBI China Capital Financial Services Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above. The Offer Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before 6:00 p.m. on the Price Determination Date.

The Offer Price is expected to be not more than HK\$0.23 per Offer Share and not less than HK\$0.17 per Offer Share. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 6:00 p.m. on Thursday, 8 February 2018, the Share Offer will not proceed and will lapse.

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be made on our Company’s website at [www.vistarholdings.com](http://www.vistarholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the Public Offer.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed “Risk factors” in this prospectus. Pursuant to the termination provisions contained in the Underwriting Agreements, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right in certain circumstances, in their reasonable opinion, to terminate the obligations of the Joint Lead Managers and the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus. It is important that you refer to the said sections for further details.

31 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 higher 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.

<b>EXPECTED TIMETABLE</b>
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*If there is any change to the following expected timetable, we will publish an announcement on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.vistarholdings.com](http://www.vistarholdings.com).*

**Date<sup>(1)</sup>**  
**2018**

Latest time for completing electronic applications under **HK eIPO White Form** services through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)(4)</sup> . . . . . 11:30 a.m. on Monday, 5 February

Application lists of Public Offer open<sup>(2)</sup> . . . . . 11:45 a.m. on Monday, 5 February

Latest time for lodging **WHITE** and **YELLOW Application Forms** and giving **electronic application instructions** to HKSCC<sup>(3)</sup> . . . . . 12:00 noon on Monday, 5 February

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Monday, 5 February

Application lists of Public Offer close<sup>(2)</sup> . . . . . 12:00 noon on Monday, 5 February

Expected Price Determination Date<sup>(5)</sup> . . . . . on or around Tuesday, 6 February

Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published on our Company's website at [www.vistarholdings.com](http://www.vistarholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Friday, 9 February

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus . . . . . Friday, 9 February

Results of allocations in the Public Offer will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID Number/Business Registration Number" function from . . . . . Friday, 9 February

## EXPECTED TIMETABLE

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before<sup>(6)</sup> . . . . . Friday, 9 February

Despatch/collection of refund cheques or **HK eIPO White Form e-Auto Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before<sup>(6)</sup> . . . . . Friday, 9 February

Dealings in the Shares on GEM expected to commence at . . . . . Monday, 12 February

*Notes:*

1. All times and dates refer to Hong Kong local time and date unless otherwise stated in this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a 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. to 12:00 noon on Monday, 5 February 2018, the application lists will not open or close on that day. Further information is set out in the paragraph headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://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 at or before 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.
5. The Price Determination Date is expected to be on or around Tuesday, 6 February 2018 and, in any event, not later than Thursday, 8 February 2018. If, for any reason, the final Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of Underwriters) and our Company by Thursday, 8 February 2018, the Share Offer will not proceed and will lapse.
6. Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identify card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE Application Forms** or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018. Applicant being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

## EXPECTED TIMETABLE

Applicants who have applied on **YELLOW Application Forms** for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW Application Form** applicants are the same as those for **WHITE Application Form** applicants.

Applicants who have applied on Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "How to apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied 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 in the form of refund cheques by ordinary post at their own risk.

For applicants who have applied for less than 1,000,000 Public Offer Shares, any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraphs headed "How to apply for Public Offer Shares — 13. Refund of application monies" and "How to apply for Public Offer Shares — 14. Despatch/Collection of shares certificates and refund monies" in this prospectus.

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the paragraph headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

# CONTENTS

## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Public Offer in Hong Kong and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute an offer to sell or solicitation of 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 in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*Prospective investors should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus and the Application Forms must not be relied on by prospective investors as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective affiliates, directors, officers, employees, agents, or representatives, or any other person or party involved in the Share Offer.*

	<i>Page</i>
<b>Characteristics of GEM</b> .....	i
<b>Expected timetable</b> .....	ii
<b>Contents</b> .....	v
<b>Summary</b> .....	1
<b>Definitions</b> .....	19
<b>Glossary of technical terms</b> .....	31
<b>Forward-looking statements</b> .....	33
<b>Risk factors</b> .....	35
<b>Information about this prospectus and the Share Offer</b> .....	49
<b>Directors and parties involved in the Share Offer</b> .....	54
<b>Corporate information</b> .....	57
<b>Waiver from strict compliance with the requirements under the GEM Listing Rules</b> .....	59

# CONTENTS

<b>Industry overview</b> .....	60
<b>Regulatory overview</b> .....	71
<b>History, reorganisation and corporate structure</b> .....	93
<b>Business</b> .....	102
<b>Relationship with Controlling Shareholders</b> .....	178
<b>Continuing connected transactions</b> .....	185
<b>Substantial Shareholders</b> .....	189
<b>Directors and senior management</b> .....	192
<b>Share capital</b> .....	205
<b>Financial information</b> .....	208
<b>Future plans and use of proceeds</b> .....	271
<b>Underwriting</b> .....	280
<b>Structure and conditions of the Share Offer</b> .....	289
<b>How to apply for Public Offer Shares</b> .....	296
<b>Appendix IA — Accountants’ report of the Group</b> .....	IA-1
<b>Appendix IB — Accountants’ report of GEL</b> .....	IB-1
<b>Appendix IIA — Unaudited pro forma financial information of the enlarged Group</b> .....	IIA-1
<b>Appendix IIB — Unaudited pro forma financial information</b> .....	IIB-1
<b>Appendix III — Property valuation report</b> .....	III-1
<b>Appendix IV — Summary of the constitution of our Company and the Cayman Islands Company Law</b> .....	IV-1
<b>Appendix V — Statutory and general information</b> .....	V-1
<b>Appendix VI — Documents delivered to the Registrar of Companies and available for inspection</b> .....	VI-1



## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus and therefore does not contain all the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.*

### **BUSINESS OVERVIEW**

We are an established E&M engineering service provider in Hong Kong, specialising in installation, alteration and addition works and maintenance of fire service systems. Fire service systems mainly consist of automatic fire alarm systems, sprinkler systems, manual fire alarm systems, fire hydrant and hose reel systems, drencher systems, water spray systems, foam systems, non-contaminating gas extinguishing systems, emergency lighting systems, audio visual systems and portable fire appliances. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

We have obtained full set of electrical and mechanical licences and qualifications necessary for our operations, such as being a registered fire service installation contractor in all Class 1 and Class 2 under the Fire Services (Installation Contractors) Regulations since 1979 and an approved supplier and specialist contractor for fire services installations (Group II) with the Development Bureau since 1992. According to the F&S Report, there were 365 fire service installation contractors in Hong Kong as of June 2017 and 55 contractors on the list of approved fire service installation contractors for public works by the Development Bureau, of which 38 are admitted under Group II for contracts of unlimited value.

According to the F&S Report, the market size of the fire safety service industry increased from HK\$7,253.7 million in 2011 to HK\$14,050.6 million in 2016, representing a CAGR of 14.1%, and it is expected that the market size will continue to grow at a CAGR of 12.2% from 2016 to 2021 and would reach HK\$24,942.0 million in 2021. The fire safety service market in Hong Kong was fragmented with the top ten market players in 2016 contributing to 16.6% of the entire market in terms of revenue. We were ranked eighth in the fire safety service market in Hong Kong in terms of revenue attributable to the provision of fire safety services for the year 2016, accounting for 1.1% of the market share.

During the Track Record Period, we had undertaken over 30 installation projects, 2,838 alteration and addition works projects and 899 maintenance projects in Hong Kong, 19 of which were sizeable projects with each contract sum over HK\$10 million. We had customers from both the private and public sectors. Our customers in the private sector mainly include property developers, property owners, and main contractors who are engaged by property developers whereas our customers in the public sector are mainly Government departments such as the Housing Authority and the Electrical and Mechanical Services Department.

## SUMMARY

### BUSINESS MODEL

Our Group's revenue is mainly derived from providing installation, alteration and addition works, and maintenance of E&M engineering systems to our customers in Hong Kong during the Track Record Period. The following table sets out a breakdown of our revenue by service types during the Track Record Period:

	For the year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total sales		Percentage of total sales	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Installation	79,622	64.8	116,224	72.1	24,297	60.1	51,101	76.3
Alteration and addition works	38,810	31.6	40,554	25.2	14,965	37.0	14,532	21.7
Maintenance	4,417	3.6	4,389	2.7	1,167	2.9	1,375	2.0
<b>Total</b>	<b>122,849</b>	<b>100.0</b>	<b>161,167</b>	<b>100.0</b>	<b>40,429</b>	<b>100</b>	<b>67,008</b>	<b>100</b>

Our Group's revenue for the year ended 31 March 2017 increased by approximately 31.2% or approximately HK\$38.3 million as compared to that for the year ended 31 March 2016. The increase in revenue is mainly contributed from our installation services and alteration and addition works services which amounted to approximately HK\$36.6 million and HK\$1.7 million respectively.

Our Group's revenue for the four months ended 31 July 2017 increased by approximately 65.7% or approximately HK\$26.6 million as compared to that for the four months ended 31 July 2016. The increase in revenue is mainly contributed from installation services which amounted to approximately HK\$26.8 million.

We undertook projects in both public and private sectors. The following table sets out the breakdown of our revenue by private and public sectors during the Track Record Period:

	For the year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Private Sector	117,730	95.8	152,343	94.5	38,956	96.4	65,061	97.1
Public Sector	5,119	4.2	8,824	5.5	1,473	3.6	1,947	2.9
<b>Total</b>	<b>122,849</b>	<b>100.0</b>	<b>161,167</b>	<b>100.0</b>	<b>40,429</b>	<b>100</b>	<b>67,008</b>	<b>100</b>

## SUMMARY

Over 90.0% of our Group's revenue for each of the two years ended 31 March 2016 and 2017 and for the four months ended 31 July 2016 and 2017 was contributed by revenue from the private sector. For the year ended 31 March 2017, both the private sector and the public sector recorded increase in revenue by approximately 29.4% and approximately 72.4% respectively. Comparing the four months ended 31 July 2016 to the four months ended 31 July 2017, both the private sector and the public sector recorded increase in revenue by approximately 67.0% and 32.2% respectively.

### PROJECTS

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

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
<b>Opening number of projects</b>			
– Installation projects	10	17	20
– Alteration and addition works projects	8	10	17
– Maintenance projects	19	7	26
<b>Number of new projects</b>			
– Installation projects	11	9	–
– Alteration and addition works projects	1,143	1,180	507
– Maintenance projects	322	406	152
<b>Number of completed projects</b>			
– Installation projects	4	6	1
– Alteration and addition works projects	1,141	1,173	501
– Maintenance projects	334	387	138
<b>Ending number of projects</b>			
– Installation projects	17	20	19
– Alteration and addition works projects	10	17	23
– Maintenance projects	7	26	40

## SUMMARY

The following table sets out the movement of our projects in respect of revenue during the Track Record Period:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Opening value of ongoing projects</b>			
– Installation projects	82,520	155,724	280,114
– Alteration and addition works projects	5,892	9,937	9,727
– Maintenance projects	251	2	19
<b>Contract sum of new projects</b>			
– Installation projects	152,826	240,614	–
– Alteration and addition works projects	42,855	40,344	15,482
– Maintenance projects	4,168	4,406	1,559
<b>Revenue recognised</b>			
– Installation projects	79,622	116,224	51,101
– Alteration and addition works projects	38,810	40,554	14,532
– Maintenance projects	4,417	4,389	1,375
<b>Ending value of ongoing projects</b>			
– Installation projects	155,724	280,114	229,013
– Alteration and addition works projects	9,937	9,727	10,677
– Maintenance projects	2	19	203

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

The ending value of our ongoing projects increased from HK\$165.7 million as at 31 March 2016 to HK\$239.9 million as at 31 July 2017. The significant increase was primarily attributed to the award of new contracts relating to the installation of fire services system with total contract sum of HK\$240.6 million.

### **Tender success rate**

During the Track Record Period, the total number of new projects obtained by our Group for the year ended 31 March 2016, 31 March 2017 and for the four months ended 31 July 2017 were 1,476, 1,595 and 659, respectively, of which 10 projects, 4 projects and nil were obtained by tenders, respectively, and the remaining projects were obtained by way of quotations. For tender submission, subject to the customers, it may take up to two months before releasing the tender results for installation projects. The following table sets forth our overall tender success rate during the Track Record Period:

## SUMMARY

	For the year ended 31 March		For the four months ended 31 July 2017	From 1 April 2017 to the Latest Practicable Date
	2016	2017		
Number of tenders submitted	72	55	16	31
Number of contracts awarded	10	4	–	2
Tender success rate <i>(note 1)</i>	13.9%	7.3%	0%	6.5%
Aggregate amount of original contract sum <i>(note 2)</i>	HK\$168.8 million	HK\$193.6 million	–	HK\$40.9 million

*Notes:*

- (1) Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year, divided by the number of tenders submitted during the respective financial year.
- (2) Such amount represents the aggregate amount of original contract sums of the contracts obtained by tenders, and excludes any subsequent changes due to variation orders.

Our tenders or quotations are based on our estimates and available information, taking into consideration the deployment of our resources including our labour, materials and financial resources required to carry out our services as well as the complexity and length of the relevant projects. Generally, we price a project based on a cost-plus pricing model with a markup so we can deliver quality work and at the same time achieve a reasonable profit margin. During the Track Record Period, we had been able to maintain a relatively stable gross profit margin of approximately 13.6%, 16.0% and 17.0% for the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, respectively. This prudent approach in our costs estimation and our pricing policy may cause our tender price/quotation to be less competitive than other submitted tender(s)/quotation(s). Furthermore, we usually submit tenders in order to keep our presence in the market and keep ourselves abreast of the latest market requirements and pricings, which are considered to be useful in preparing similar tenders in the future. As such, we had recorded a relatively low tender success rate during the Track Record Period as set out in the table above.

Furthermore, having deployed a large portion of our labour and financial resources for carrying out the works for projects on hand, in particular, the large-scale ongoing project relating to the project located in Oil Street, North Point, which had an original contract sum of approximately HK\$101.2 million since its commencement in September 2016, we had become more selective in submitting tenders after considering our then available labour, financial (including cash flow) and management resources, which are important factors we would consider before bidding for new tenders. As such, we had been less aggressive in submitting competitive tenders after committing most of the resources in this large-scale project and other projects in progress as at the Latest Practicable Date. As a result, our tender success rate for the year ended 31 March 2017 was lower compared to the year ended 31 March 2016.

## SUMMARY

### CUSTOMERS

We serve customers in both private and public sectors. Our customers in the private sector mainly include property developers, property owners, and main contractors who are engaged by property developers whereas our customers in the public sector are mainly Government departments such as the Housing Authority and the Electrical and Mechanical Services Department. We had served approximately 889 customers during the Track Record Period. The revenue generated from our five largest customers in aggregate accounted for approximately 54.3%, 52.1% and 45.9% of our total revenue for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of our Group's customers, please refer to the section headed "Business — Customers" in this prospectus.

### SUPPLIERS

We mainly source raw materials such as sprinklers, valves, fire hydrants, hose reels, fire service pumps, galvanised iron pipes and fittings, ductile iron pipes, as well as systems such as automatic fire alarm systems and gaseous extinguishing systems from our suppliers. Our five largest suppliers accounted for approximately 50.3%, 48.3% and 54.4% of our total purchases for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of our Group's suppliers, please refer to the section headed "Business — Suppliers" in this prospectus.

### OUTSOURCING

For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we generally delegate the labour-intensive installation work in installation projects and also some alteration and addition works projects to selected subcontractors. Our subcontracting payments attributable to our five largest subcontractors collectively accounted for approximately 66.4%, 51.6% and 57.4% of our total subcontracting fee for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of our Group's subcontractors, please refer to the section headed "Business — Outsourcing" in this prospectus.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success:

- we are an established fire service systems provider and active industry player;
- we have an established customer base;
- we have stable and experienced management and engineering teams; and
- we have established relationship with our suppliers and subcontractors.

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

## SUMMARY

### **BUSINESS STRATEGIES**

We strive to expand our business and strengthen our market position in Hong Kong by implementing the following strategies:

- we plan to expand our fire service system installation and maintenance business and services;
- we plan to expand our business for building management systems and automatic fire alarm systems;
- we plan to streamline our fire service installation process; and
- we plan to further enhance our quality project planning, management and implementation.

For details of our business strategies, please refer to the section headed “Business — Business strategies” in this prospectus.

### **RISK FACTORS**

There are risks involved in our Company’s operations. Prospective investors should read carefully the section headed “Risk factors” in this prospectus for details of all the risk factors before making any investment decision in the Offer Shares. Some of the major risks are summarised as follows:

- our revenue is mainly derived from projects which are not recurring in nature and a significant decrease in the number of our projects would affect our operations and financial results;
- we make estimations of our project costs in our tenders. Any failure to accurately estimate the costs involved in the implementation of any project and delay in completion of any project may lead to cost overruns or even result in losses in our projects;
- our customers pay us by way of progress payment and hold retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period;
- we require various registrations, licences and qualifications to operate our business in Hong Kong. Any expiry, withdrawal, revocation, downgrading of and/or failure to renew such registrations, licences and qualifications would adversely affect our operations and financial results; and
- our ability to secure performance bonds will affect our ability to undertake our projects.

# SUMMARY

## SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

### Key Financial Information

	For the year ended 31 March		For the four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
			(unaudited)	
<b>Results of operation of our Group</b>				
Revenue	122,849	161,167	40,429	67,008
Gross profit	16,680	25,825	5,833	11,393
Profit before income tax	10,262	18,024	3,056	290
Profit/(loss) for the year/period	8,721	14,987	2,510	(1,032)
		<b>As at 31 March</b>		<b>As at 31 July</b>
		<b>2016</b>	<b>2017</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net current assets</b>				
Current assets		122,361	137,783	112,399
Current liabilities		99,485	99,997	75,777
Net current assets		22,876	37,786	36,622

### Gross profit and gross profit margin

Our overall gross profit margin for the year ended 31 March 2017 increased to 16.0% as compared to the year ended 31 March 2016. The increase was mainly due to the significant increase in gross profit and gross profit margin of alteration and addition works services during the year ended 31 March 2017. Our overall gross profit margin for the four months ended 31 July 2017 increase to 17.0% as compared to the four months ended 31 July 2016. The increase was mainly due to the increase in gross profit and gross profit margin of installation works and alteration and addition works during the four months ended 31 July 2017. The following table sets forth our gross profit and gross profit margin by our service types for the Track Record Period:





## SUMMARY

### Cost of revenue

The following table sets out a breakdown of our direct costs by nature and percentage contribution to the total direct costs for the periods indicated:

	For the year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Subcontracting fees	72,556	68.3	79,453	58.7	21,228	61.4	38,581	69.4
Material costs	24,062	22.7	39,972	29.5	8,958	25.9	12,690	22.8
Direct labour cost	8,135	7.7	10,427	7.7	3,199	9.2	3,634	6.5
Others	1,416	1.3	5,490	4.1	1,211	3.5	710	1.3
<b>Total</b>	<b>106,169</b>	<b>100.0</b>	<b>135,342</b>	<b>100.0</b>	<b>34,596</b>	<b>100</b>	<b>55,615</b>	<b>100</b>

### Cash Flow

The following table summarises the net cash flow of our activities for the Track Record Period:

	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)	
Operating profit before working capital changes		11,132	3,313	558
Net cash generated from/(used in) operating activities	18,159	(17,668)	(10,338)	(7,727)
Net cash (used in)/generated from investing activities	(9,413)	5,491	(5,215)	695
Net cash (used in)/generated from financing activities	(5,347)	(1,644)	(797)	5,876
Net increase/(decrease) in cash and cash equivalents	3,399	(13,821)	(16,350)	(1,156)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	33,276	19,455	16,926	18,299

## SUMMARY

For the year ended 31 March 2017, our net cash used in operating activities was approximately HK\$17.7 million, primarily as a result of the combined effects of (i) approximately HK\$18.8 million operating cash flows before movements in working capital; (ii) the increase in amounts due to customers of contract work of approximately HK\$1.5 million; and (iii) the decrease in pledge bank deposits of approximately HK\$1.5 million. This was partially offset by (i) the increase in trade and other receivables of approximately HK\$14.9 million; (ii) the increase in amounts due from customers of contract work of approximately HK\$18.7 million; (iii) the increase in pledged deposits of approximately HK\$3.1 million; and (iv) the decrease in amount due to a related company of approximately HK\$1.8 million. The increase in net cash used in operating activities for the year ended 31 March 2017 as compared to the year ended 31 March 2016 was attributable to the significant increases in (i) the trade receivables and retention receivables balances as at 31 March 2017 as compared to 31 March 2016, from approximately HK\$7.8 million and HK\$8.8 million as at 31 March 2016 increased to approximately HK\$16.7 million and HK\$13.4 million as at 31 March 2017 respectively; and (ii) increase in amounts due from customers of contract work of approximately HK\$18.7 million as compared to as at 31 March 2016 balance. The increase in these balances are primarily due to business expansion as reflected in the increase in number of newly commenced projects in installation work segments.

Our net cash used in operating activities was decreased to approximately HK\$17.4 million for the year ended 31 March 2017, mainly due to the combined effect of (i) the increase in trade and other receivable of approximately HK\$14.9 million as we have undertaken more installation projects and commenced sizable projects during the year ended 31 March 2017, as a result the trade and retention receivable was increased; and (ii) the decrease in trade and other payables as we settled the payable with GEC during the year ended 31 March 2017.

For the four months ended 31 July 2017, our net cash used in operating activities was approximately HK\$7.7 million, primarily as a result of the combined effects of (i) approximately HK\$0.6 million operating profit before movements in working capital; (ii) the increase in trade and other receivable of approximately HK\$6.3 million; (iii) the decrease in trade and other payables of approximately HK\$5.3 million; and (iv) the increase in amounts due from customers of contract work of approximately HK\$1.1 million. This was partially offset by (i) the increase in amounts due to customers of contract work of approximately HK\$0.4 million; (ii) the decrease in pledged deposits of approximately HK\$0.8 million; (iii) the increase in amount due to a related company of approximately HK\$1.2 million; and (iv) the decrease in pledge bank deposits of approximately HK\$2.0 million.

Our net cash used in operating activities decreased from approximately HK\$10.3 million for the four months 31 July 2016 to approximately HK\$7.7 million for the four months ended 31 July 2017, mainly due to the combined effect of (i) the decrease in pledged bank deposits to approximately HK\$2.0 million which is mainly due to the release of the pledged bank deposits of our project in Lee Tung Street during the four months ended 31 July 2017; and (ii) the decrease in trade and other payables to approximately HK\$5.3 million as we fully settled the payable with GEC during the four months ended 31 July 2017.

For the year ended 31 March 2017, our net cash used in financing activities was approximately HK\$1.6 million, mainly attributable to the repayment of bank borrowings of approximately HK\$1.2 million.

## SUMMARY

For the four months ended 31 July 2017, our net cash generated from financing activities was approximately HK\$5.9 million, primarily as a result of the combined effects of the increase in amounts due to directors of approximately HK\$6.7 million. This was partially offset by the capital element of finance lease payments of approximately HK\$0.5 million, and the repayments of bank borrowings of approximately HK\$0.3 million.

### Key Financial Ratios

The following table shows certain key financial ratios as at the dates or for the periods indicated:

		As at/For the year ended 31 March		As at/For the four months ended 31 July
	<i>Notes</i>	2016	2017	2017
Gross profit margin	1	13.6%	16.0%	17.0%
Net profit margin	2	7.1%	9.3%	N/A
Current ratio (times)	3	1.2	1.4	1.5
Gearing ratio (times)	4	0.2	0.1	0.1
Net debt to equity (times)	5	N/A	N/A	N/A
Return on equity	6	36.5%	38.6%	N/A
Return on total assets	7	7.0%	10.8%	N/A
Interest coverage ratio (times)	8	45.2	122.0	9.3

*Notes:*

1. Gross profit margin equals gross profit for the year divided by revenue for the year/period.
2. Net profit margin equals net profit for the year divided by revenue for the year/period.
3. Current ratio is calculated by current assets over current liabilities as at the end of the respective year/period.
4. Gearing ratio is calculated by total debt over total equity as at the end of the respective year/period. Total debt is defined to include all interest-bearing loans and obligation under finance lease.
5. Net debt to equity is calculated by net debt over total equity as at the end of the respective year/period. Net debt includes all borrowings, net of cash and cash equivalent.
6. Return on equity is calculated by profit for the year/period over total equity as at the end of the respective year.
7. Return on total assets is calculated by profit for the year/period over total assets at the end of the respective year.
8. Interest coverage ratio is calculated by profit for the year/period before interest and tax over interest expense for the year.

Our net profit margin was approximately 7.1% and 9.3% for the financial years ended 31 March 2016 and 2017, respectively. The increase was primarily attributable to increase in revenue and gross profit margin. The ratio was not applicable for the four months ended 31 July 2017 as net loss was incurred.

## SUMMARY

The gearing ratio records were 0.2 times and 0.1 times as at 31 March 2016 and 2017, respectively. The decrease was mainly due to (i) the decrease in bank borrowings from approximately HK\$3.1 million as at 31 March 2016 to approximately HK\$1.9 million as at 31 March 2017; and (ii) increase in net profit to approximately HK\$15.0 million as at 31 March 2017 from approximately HK\$8.7 million as at 31 March 2016.

Our Group recorded an increase in return on equity from approximately 36.5% for the financial year ended 31 March 2016 to approximately 38.6% for the financial year ended 31 March 2017, which was mainly due to the increase in net profit to approximately HK\$15.0 million as at 31 March 2017 from approximately HK\$8.7 million as at 31 March 2016. The ratio was not applicable for the four months ended 31 July 2017 as net loss was incurred.

The interest coverage ratio was approximately 45.2 times for the financial year ended 31 March 2016, 122.0 times for the financial year ended 31 March 2017; and 9.3 times for the four months ended 31 July 2017. Such changes were mainly due to the increase in our profit before interest and tax from operation of approximately HK\$7.7 million for the year ended 31 March 2017 and decrease in our profit before interest and tax from operation of approximately HK\$17.8 million for the four months ended 31 July 2017. For details, please refer to the section headed “Financial information — Summary of key financial ratios” in this prospectus.

### LISTING EXPENSES

Our Group expects that the total listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.8 million, of which approximately: (i) HK\$8.6 million is directly attributable to the issue of the Offer Shares pursuant to the Listing and will be accounted for as a deduction from equity upon the Listing; and (ii) HK\$14.2 million is expected to be charged to combined statements of comprehensive income for the year ending 31 March 2018.

Such listing expenses are current estimate for reference only. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

On 3 August 2017, Guardian Team, a wholly owned subsidiary of our Company, entered into the GEL Share Sale Agreement with Mr. Ken Poon (who is our Controlling Shareholder and executive Director) and Ms. Odilia Poon (who is our non-executive Director). Pursuant to the GEL Share Sale Agreement, Mr. Ken Poon and Ms. Odilia Poon agreed to sell, and Guardian Team agreed to purchase, the entire issued share capital of GEL at a consideration of HK\$331,000, based on the audited net asset value of GEL as at 31 March 2017. For further details, please refer to the section headed “History, reorganisation and corporate structure — Reorganisation — 6. Acquisition of Guardian Engineering by Guardian Team” of this prospectus.

Upon the completion of the above acquisition on 3 August 2017, GEL became our wholly-owned subsidiary, and its financial statements have only been incorporated into our financial statements after that date. The revenue of GEL for the year ended 31 March 2016 and 2017 and for the four months ended 31 July 2017 was approximately HK\$52.6 million, HK\$52.8 million and HK\$19.2 million, respectively, which was mainly from (i) alteration and addition works and (ii) maintenance works. The gross profit for each of the two years ended 31 March 2017 amounted to approximately HK\$7.6 million and HK\$7.2 million respectively, with gross

## SUMMARY

profit margin of 14.4% and 13.7% respectively. The gross profit for the four months ended 31 July 2017 amounted to approximately HK\$2.9 million, with gross profit margin of 15.1%. The net profit of GEL for the year ended 31 March 2016 and 2017 and for the four months ended 31 July 2017 were approximately HK\$0.5 million, HK\$1.0 million and HK\$0.4 million respectively. In addition, the cash generated from operating activities of GEL was relatively stable for the year ended 31 March 2016 and 2017, amounting to approximately HK\$2.7 million and HK\$2.5 million respectively. For the four months ended 31 July 2017, the cash generated from operating activities of GEL amounted to approximately HK\$3.5 million. The detailed financial information of GEL during the Track Record Period is included in Appendix IB to this prospectus. For analysis of the results of operations of GEL during the Track Record Period, please refer to the paragraphs from the paragraph headed “Financial information — Financial information of GEL” in this prospectus. Assuming GEL had been acquired by us on the first day of the relevant period, on a pro forma basis, our total revenue would have amounted to HK\$207.1 million for the year ended 31 March 2017 and HK\$84.4 million for the four months ended 31 July 2017. Please refer to Appendix IIA to this prospectus for details on the unaudited pro forma financial information of the enlarged Group resulting from the GEL Acquisition.

In addition, subsequent to the Track Record Period and up to the date of this prospectus, our business and revenue model remained unchanged. Our Directors have not noticed any material delay or interruption for our existing projects which would have material adverse impact on our financial and operating position.

Based on our installation contracts on hand, the value of our installation projects in progress with each contract sum over HK\$10 million (representing the estimated total outstanding contract value for our uncompleted work) as at 31 July 2017 was approximately HK\$215.3 million, of which HK\$85.6 million and approximately HK\$129.7 million are expected to be recognised in the two years ending 31 March 2019. Based on our alteration and addition works contracts and orders on hand, the value of our alteration and addition works projects in progress (representing the estimated total outstanding value for our uncompleted work) as at 31 July 2017 was approximately HK\$10.7 million, of all are expected to be recognised in the year ending 31 March 2018.

The following table sets out the breakdown of the completed installation, alteration and addition works and maintenance projects during the Track Record Period by range of contract value:

No. of installation projects	Year ended 31 March		Year ended 31 March		Four months ended	
	2016		2017		31 July	
	Number of projects	Aggregate contract sum HK\$'000	Number of projects	Aggregate contract sum HK\$'000	Number of projects	Aggregate contract sum HK\$'000
HK\$10,000,000 or above	2	28,979	3	93,709	–	–
Below HK\$10,000,000	2	6,600	3	19,723	1	3,160
<b>Total</b>	<b>4</b>	<b>35,579</b>	<b>6</b>	<b>113,432</b>	<b>1</b>	<b>3,160</b>

## SUMMARY

No. of alteration and addition works projects	Year ended 31 March				Four months ended 31 July	
	2016		2017		2017	
	Number of projects	Aggregate contract sum	Number of projects	Aggregate contract sum	Number of projects	Aggregate contract sum
		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>
HK\$1,000,000 or above	7	10,753	8	15,848	2	3,130
Below HK\$1,000,000	1,134	24,537	1,165	19,151	499	8,141
<b>Total</b>	<b>1,141</b>	<b>35,290</b>	<b>1,173</b>	<b>34,999</b>	<b>501</b>	<b>11,271</b>

No. of maintenance projects	Year ended 31 March				Four months ended 31 July	
	2016		2017		2017	
	Number of projects	Aggregate contract sum	Number of projects	Aggregate contract sum	Number of projects	Aggregate contract sum
		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>
HK\$13,000 or above	14	840	10	480	4	96
Below HK\$13,000	320	3,576	377	3,851	134	1,096
<b>Total</b>	<b>334</b>	<b>4,416</b>	<b>387</b>	<b>4,331</b>	<b>138</b>	<b>1,192</b>

The following table sets out the breakdown of the installation, alteration and addition works and maintenance projects in progress as at the Latest Practicable Date by range of contract value:

No. of installation projects	As at the Latest Practicable Date	
	Number of projects	Aggregate contract sum <i>HK\$'000</i>
HK\$10,000,000 or above	16	435,821
Below HK\$10,000,000	5	40,284
<b>Total</b>	<b>21</b>	<b>476,105</b>

## SUMMARY

<b>No. of alteration and addition works projects</b>	<b>As at the Latest Practicable Date Number of projects</b>	<b>Aggregate contract sum <i>HK\$'000</i></b>
HK\$1,000,000 or above	3	4,389
Below HK\$1,000,000	20	9,551
Total	23	13,940

<b>No. of maintenance projects</b>	<b>As at the Latest Practicable Date Number of projects</b>	<b>Aggregate contract sum <i>HK\$'000</i></b>
HK\$13,000 or above	2	37
Below HK\$13,000	38	349
Total	40	386

As at the Latest Practicable Date, we had 16 installation projects, nil alteration and addition works projects and nil maintenance projects, with each contract sum over HK\$10 million, in progress, with an estimated total outstanding contract value of approximately HK\$241.9 million.

We currently expect that our financial results for the year ending 31 March 2018 will be negatively impacted by the non-recurring listing expenses. For further details regarding our listing expenses, please refer to the paragraph headed “Listing expenses” in this section and the section headed “Financial information — Listing expenses” in this prospectus.

Saved as disclosed above, our Directors confirmed that subsequent to the Track Record Period and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affects our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix IA to this prospectus.

### SHAREHOLDERS’ INFORMATION

Immediately following completion of the Share Offer (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), (i) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, will directly hold approximately 34.9% of the Shares in issue; (ii) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, will directly hold approximately 32.6% of the Shares in issue. Accordingly, Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon will be our controlling shareholders within the meaning of the GEM Listing Rules.



## SUMMARY

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our goal is to further enhance our performance as one of the leading E&M engineering service providers focusing on fire service systems in Hong Kong. The net proceeds of the Share Offer will provide us with the necessary funding to expand our business, allow us to take up larger projects and strengthen our financial position. Our Directors believe that the Listing is strategically critical to our long-term growth as it will (i) provide us with avenues to raise capital for our expansion plan; (ii) enhance our corporate profile and brand recognition; and (iii) enable us to have stronger ability to attract and retain suitable personnel.

The aggregate net proceeds from the Share Offer to be received by us (assuming the Offer Price at HK\$0.20, being the mid-point of the Offer Price range) is estimated to be approximately HK\$37.2 million. Our Directors intend to apply such net proceeds in the following manners:

- (a) approximately HK\$13.7 million, representing approximately 36.8% of the net proceeds, will be used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system, among which HK\$11.0 million will be reserved for providing performance bonds only for three coming pipeline projects in Kwun Tong, Shau Kei Wan and Tai Po, with a total contract sum of approximately HK\$156.9 million, and HK\$2.7 million will be reserved for paying materials and subcontracting fees;
- (b) approximately HK\$5.9 million, representing approximately 15.9% of the net proceeds, will be used for expanding our manpower for project execution, including recruitment of two project managers, two assistant engineers, four technicians for project execution, one administration clerk and one safety officer;
- (c) approximately HK\$2.0 million, representing approximately 5.4% of the net proceeds, will be used for expansion to the dealership network for building management system and automatic fire alarm system, including recruitment of one project manager, one assistant engineer and one technician;
- (d) approximately HK\$7.6 million, representing approximately 20.4% of the net proceeds, will be used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop;
- (e) approximately HK\$4.7 million, representing approximately 12.6% of the net proceeds, will be used for purchasing a 3D design system and an ERP system to enhance our project planning, management and implementation; and
- (f) the remaining balance of approximately HK\$3.3 million, representing approximately 8.9% of the net proceeds, will be used for additional working capital and other general corporate purposes.

For details of our use of proceeds and implementation plan, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

## SUMMARY

### DIVIDEND

The dividend declared by our Company's subsidiary, GEL, to our Controlling Shareholder during the year ended 31 March 2016 and 2017 and the period ended 31 July 2017 amounted to HK\$nil and approximately HK\$7.5 million and approximately HK\$0.4 million, respectively. Save as the above, our Group did not declare any dividend during the Track Record Period.

After Reorganisation and novation of amounts due from/to Directors and amount due to a related party to Mr. Ken Poon, the expected amount due to Shareholders of the enlarged Group will be approximately HK\$11.0 million. In December 2017, GFE has declared a special dividend of HK\$10.0 million to its ultimate shareholders. The net amounts due to Shareholders increased to approximately HK\$21.0 million after Reorganisation and declaration of the special dividend. The Group has settled HK\$13.3 million by property asset as explained below and the remaining amount of HK\$7.7 million will be settled by cash before Listing.

In order to maintain sufficient cash position for daily operations, it is the best interest for the Group to minimise outflow using existing cash balance on hand and in the bank. Meanwhile, approximately HK\$14.5 million, out of the HK\$17.1 million bank facilities available, pertains to facilities for the sole purpose or providing for surety bonds in favor of our customers. As a result, the Directors agreed and sold the Group's property of Workshop No. 2 on the 13th Floor of Tak King Industrial Building, Chai Wan, Hong Kong for HK\$13.3 million to settle the amounts due to Shareholders.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed 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 in the future.

### THE SHARE OFFER AND OFFER STATISTICS

The Share Offer comprises the Public Offer of 30,000,000 Shares initially offered in Hong Kong, and the Placing of 270,000,000 Shares (subject, in each case, to the reallocation on the basis as described in the section headed "Structure and conditions of the Share Offer" in this prospectus).

	<b>Based on the minimum indicative Offer Price of HK\$0.17 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$0.23 per Share</b>
Market capitalisation	HK\$204,000,000	HK\$276,000,000
Unaudited pro forma combined net tangible assets per Share <sup>(Note)</sup>	HK\$0.06	HK\$0.07

*Note:* The unaudited pro forma combined net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to "Appendix IIB — Unaudited pro forma financial information" in this prospectus for further details.

The unaudited pro forma combined net tangible assets per Share does not take into account of dividend of HK\$10,000,000 declared by the Company subsequent to 31 July 2017. Assuming that the dividend of HK\$10,000,000 declared subsequent to 31 July 2017 had been taken into account, the unaudited pro forma combined net tangible assets per Share would have been HK\$0.05 and HK\$0.07 at the Offer Price of HK\$0.17 and HK\$0.23, respectively, which is calculated based on 1,200,000,000 Shares in issue immediately following the completion of Share Offer and Capitalisation Issue.

## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of the Group set out in Appendix IA to this prospectus
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alderhill Trust”	the family trust established by Mr. Tommy Poon as settlor and constituted by the trust deed dated 17 November 2017 and entered into between Mr. Tommy Poon and Unity Trust pursuant to the Reorganisation
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 24 January 2018, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board established pursuant to resolution of our Board passed on 24 January 2018
“A&A”	alteration and addition
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

## DEFINITIONS

“Capitalisation Issue”	the issue of 899,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as detailed to in the section headed “A. Further information about our Company — 4. Resolutions in writing of our Shareholders” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“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(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CEO” or “Chief Executive Officer”	chief executive officer of our Company, Mr. Ken Poon
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Company” or “our Company”	Vistar Holdings Limited (熒德控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 27 June 2017
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon or, where the context so requires, any one of them
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 26 January 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), regarding certain indemnities as more particularly set out in the section headed “F. Other Information — 1. Tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 26 January 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries), regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus
“Deed of Undertaking”	a deed of undertaking dated 25 January 2018 entered into among Legend Advanced, Success Step and Noble Capital, details of which are set out in the section headed “History, reorganisation and corporate structure” in this prospectus
“Development Bureau”	The Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“E&M engineering” or “E&M”	electrical and mechanical engineering
“Electricity Ordinance”	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EMSD” or “Electrical and Mechanical Services Department”	Electrical and Mechanical Services Department of the Government
“Fire Services Department”	Fire Services Department of Hong Kong
“Fire Services Ordinance”	the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Fire Service (Installation Contractors) Regulations”	the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Fire Service (Installations and Equipment) Regulations”	the Fire Service (Installations and Equipment) Regulations (Chapter 95B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Frost & Sullivan” or “F&S”	Frost & Sullivan International Limited
“F&S Report”	the market research report on the fire safety services industry prepared by Frost & Sullivan and commissioned by us
“GEL Acquisition”	the sale and purchase of the entire issued share capital of Guardian Engineering as contemplated under the GEL Share Sale Agreement
“GEL Share Sale Agreement”	a share sale agreement dated 3 August 2017 entered into among Mr. Ken Poon and Ms. Odilia Poon as the vendors, and Guardian Team as the purchaser, in relation to the GEL Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“GFE Acquisition”	the sale and purchase of the entire issued share capital of Guardian Fire Engineers & Consultants as contemplated under the GFE Share Sale Agreement

## DEFINITIONS

“GFE Share Sale Agreement”	a share sale agreement dated 31 August 2017 entered into among the GFE Shareholders as the vendors, our Company as the purchaser and Guardian Team, in relation to the GFE Acquisition
“GFE Shareholders”	Mr. Ken Poon, Mr. Tommy Poon, Ms. Lee To Yin, Mr. Ng Kwok Wai and Ms. Odilia Poon
“Government”	unless otherwise stated, the government of Hong Kong
“Government departments” or “Government-related organisations”	various departments of Government and Government-related organisations published on Government’s website at <a href="http://www.gov.hk">www.gov.hk</a> (at the webpage headed “Government and Related Organisations Listed by Organisational Structure”)
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guardian Engineering” or “GEL”	Guardian Engineering Limited (衛保工程有限公司), a company incorporated in Hong Kong with limited liability on 15 May 2000 and an indirect wholly-owned subsidiary of our Company
“Guardian Fire Engineers and Consultants” or “GFE”	Guardian Fire Engineers and Consultants, Limited (衛保消防工程顧問有限公司), a company incorporated in Hong Kong with limited liability on 1 August 1972 and an indirect wholly-owned subsidiary of our Company
“Guardian Team”	Guardian Team Limited, a company incorporated in BVI with limited liability on 6 June 2017 and a direct wholly-owned subsidiary of our Company
“Guardian Team Share(s)”	share(s) with a par value of US\$1.00 each in the share capital of Guardian Team
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“HK eIPO White Form”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRSs”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Housing Authority” or “HA”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, its subsidiaries or any of their respective associates
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001”	environmental management system requirements published by ISO
“ISO 9001”	quality management system requirements published by ISO



## DEFINITIONS

“Joint Bookrunners” or “Joint Lead Managers”	Kingsway Financial Services Group Limited, a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, and SBI China Capital Financial Services Limited, a licensed corporation to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, which have been appointed as the joint bookrunners and joint lead managers for the Share Offer
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	22 January 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Legal Counsel”	Mr. Poon Chi Kin Billy, barrister-at-law of Hong Kong
“Legend Advanced”	Legend Advanced Limited, a company incorporated in BVI with limited liability on 2 June 2017 and is owned as to 40%, 30% and 30% by Ms. Odilia Poon, Ms. Lee To Yin and Mr. Ng Kwok Wai, respectively
“Legend Advanced Share(s)”	share(s) with a par value of US\$1.00 each in the share capital of Legend Advanced
“Listing”	the listing of the Shares on the GEM
“Listing Date”	the date on which dealings in our Shares first commence on GEM, which is expected to be on or about 12 February 2018
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 24 January 2018, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“MOP”	Macau Pataca, the lawful currency of Macau

## DEFINITIONS

“Mr. Ken Poon”	Mr. Poon Ken Ching Keung (潘正強), our chief executive officer and chairman, an executive Director and one of our Controlling Shareholders
“Ms. Odilia Poon”	Ms. Poon Kam Yee Odilia (潘錦儀), being a non-executive Director
“Mr. Tommy Poon”	Mr. Poon Ching Tong Tommy (潘正棠), an executive Director and one of our Controlling Shareholders
“Noble Capital”	Noble Capital Concept Limited, a company incorporated in the BVI with limited liability on 9 June 2017, which is wholly-owned by Trust Holding Company
“Noble Capital Share(s)”	share(s) with a par value of US\$1.00 each in the share capital of Noble Capital
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.23 per Share and expected to be not less than HK\$0.17 per Share, at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“OHSAS”	the Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	an international standard setting out the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“Placing”	the conditional placing of 270,000,000 new Shares by the Underwriters on behalf of our Company for cash at the Offer Price, subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” of this prospectus

## DEFINITIONS

“Placing Shares”	the 270,000,000 new Shares initially offered for subscription at the Offer Price under the Placing, subject to re-allocation, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by our Company, our Controlling Shareholders, the executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Placing” in this prospectus
“PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before the commencement date of the Companies Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to determine and record the Offer Price
“Price Determination Date”	the date, expected to be on or around 6 February 2018, or such other date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) but in any event no later than Thursday, 8 February 2018, on which the Offer Price is determined
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and conditions of the Share Offer” in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms

## DEFINITIONS

“Public Offer Shares”	the 30,000,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer (as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer named in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 30 January 2018 relating to the Public Offer entered into by our Company, our Controlling Shareholders, the executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, reorganisation and corporate structure — Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate relating to the repurchase of the Shares granted to the Directors, further details of which are set out in the paragraphs headed “A. Further information about our Company — 6. Repurchase of our Shares” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed “E. Share Option Scheme” in Appendix V to this prospectus

## DEFINITIONS

“Shareholder(s)”	holder(s) of our Share(s)
“Sponsor”	Kingsway Capital Limited, being the sponsor to the Listing and a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Success Step”	Success Step Management Limited, a company incorporated in BVI with limited liability on 2 June 2017, which is wholly-owned by Mr. Ken Poon
“Success Step Share(s)”	share(s) with a par value of US\$1.00 each in the share capital of Success Step
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 March 2017 and the four months ended 31 July 2017
“Trust Holding Company”	Alderhill Holdings Limited, a company incorporated in Samoa with limited liability on 29 June 2017 and a wholly-owned subsidiary of the Alderhill Trust of which Unity Trust is a trustee
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

## DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“Unity Trust”	Unity Trust Limited (信聯信託有限公司), a company incorporated in Hong Kong with limited liability on 14 October 2016, being the trustee of the Alderhill Trust
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“Works Branch”	the Works Branch of the Development Bureau
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“%”	per cent

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

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

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this prospectus in connection with our business or our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.*

“3D”	three dimensional
“building management system”	a computer-based control system installed in buildings that controls and monitors the building’s mechanical and electrical equipment such as lighting, air conditioning, ventilation, power systems and fire systems
“contract sum”	the price payable to the party carrying out the works, which under some contracts may be subject to adjustment in accordance with their respective terms
“domestic subcontractor”	a subcontractor selected by the main contractor
“ERP system”	enterprise resource planning system
“fire safety service(s)”	service(s) relating to provision of fire safety system
“fire safety system”	fire service system which mainly consists of fire alarm systems, water and gas suppression systems and portable fire equipment
“List of Approved Contractors for Public Works”	the List of Approved Contractors for Public Works maintained by the Works Branch which comprises those contractors who are approved for carrying out public works in Hong Kong in one or more of the five major categories of building and civil engineering works, that is, buildings, port works, roads & drainage, site formation and waterworks
“main contractor”	in respect of a construction project, a contractor appointed by the site owner or client who generally builds the structure of the building and oversees the progress of the entire construction project and delegates different work tasks of construction to other contractors
“nominated subcontractor”	a subcontractor selected and nominated by the employer in the main contract documents
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without patent defects

## GLOSSARY OF TECHNICAL TERMS

“public sector”	projects under public sector contracts in which the ultimate employer is a Government department or Government-related organisations
“quantity surveyor”	a person with skills in the construction industry in relation to the estimation of construction costs and contracts
“registered fire service installation contractor”	a contractor who is registered with the Fire Services Department under the Fire Service (Installation Contractors) Regulations
“subcontract”	a contract between a contractor and a subcontractor to carry out all or part of the works which the contractor is obliged to complete under its contract with its customer
“subcontractor”	a lower-tier contractor employed by the contractor to carry out part of the contract work
“variation order(s)”	such additional works, omissions or changes requested by the customer/architect/consultant for specifications not included in the original contract



## FORWARD-LOOKING STATEMENTS

### **FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES**

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, relating to:

- our operation and business prospects;
- future developments, trends and competition in the industry and markets in which we operate;
- our strategy, implementation plans, objectives and our ability to successfully implement them;
- our dividend distribution policy;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount, and nature of, and potential for future development of our business;
- general political and economic conditions, including the performance of global financial markets;
- macroeconomic measures taken by the Government to manage economic growth;
- changes in general political and economic conditions in Hong Kong that may be detrimental to the industry in which we operate;
- competition for our business activities and the actions and development of our competitors;
- changes to our development plans and use of capital expenditures;
- changes to regulatory and operating conditions in the markets in which we operate, including changes in our ability to access the capital markets and changes in the level of interest rates; and
- other factors beyond our control.

## FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, without limitation, including statements regarding our future financial position, strategy, plans and objectives of management for future operations where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “seek”, “should”, “will”, “would” or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Directors, our Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause our actual performance or achievements to differ materially include, but are not limited to, those disclosed under the section headed “Risk factors” and elsewhere in this prospectus.

Furthermore, these forward-looking statements are based on current plans and estimates which merely reflect our current view with respect to future events and apply only as of the date they were made but are not a guarantee of future performance. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events, or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future development.

## RISK FACTORS

*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

### RISKS RELATING TO OUR BUSINESS

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

Our revenue during the Track Record Period was derived from the provision of fire safety system installation, alteration and additional works and maintenance services in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. After completion of the projects, our customers may or may not engage us again in subsequent projects. We have to undergo the tendering or quotation process for our new projects.

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

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

For the financial years ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, our Group's success rate on tendering was approximately 13.9%, 7.3% and 0%, respectively.

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

## RISK FACTORS

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

Our contracts are normally awarded through competitive tendering process. Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We generally adopt a cost-plus pricing model and determine the tender price by taking into account factors comprising the scope and complexity of the project, the site conditions, project time frame, quoted costs of materials and subcontracted works, our previous tender records, the awarded tender prices of similar projects, our relationship with the potential customer, payment history of our potential customer and prevailing market conditions. Our contracts with customers during the Track Record Period were fixed price contracts. Once the customer and we agree on the tender price, we generally will have to bear any additional costs incurred. However, the actual time and costs incurred by us may be affected by various factors, including (i) disputes among other parties involved in the projects; (ii) delay or defects in the installation work provided by our subcontractors; (iii) departure of our key personnel; (iv) disputes with our customers or suppliers; (v) variations to the requirements or design requested by our customers; (vi) delays by our suppliers in delivering the systems/equipment; (vii) changes in market conditions; (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates result in lower profit margin or even a loss for a project.

**We rely on subcontractors to help completing installation work and alteration and additions work. Any delay or defects on their part would adversely affect our operations and financial results**

During the Track Record Period, we engaged subcontractors to help completing installation work as well as alteration and addition work under our contracts. For the two financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, the actual costs of engaging our subcontractors were approximately HK\$72.6 million, HK\$79.5 million and HK\$38.6 million, representing 68.3% and 58.7%, 69.4% of our actual cost, respectively. For details of our reasons in respect of such outsourcing and our selection and control system over our subcontractors, please refer to the section headed “Business — Outsourcing” in this prospectus.

Outsourcing exposes us to risks associated with non-performance, sub-standard and delayed performance by our subcontractors. As a result, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and costs to carry out remedial actions, which may in turn adversely impact our profitability, financial performance and reputation, and/or result in litigation and claims.

In addition, our subcontractors may not always be readily available when our needs for outsourcing arise. Notwithstanding our proven working relationships with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us on future projects on similar terms and conditions. There is no assurance

## RISK FACTORS

that we would be able to find alternative subcontractors with the requisite knowledge, expertise, experience and capability that meet our project needs and work requirements and timely complete the projects in accordance with the project terms with competitive prices. If we are unable to engage such suitable alternative subcontractors, our ability to complete projects on time and with effective cost could be impaired, thereby damaging our business reputation and, materially and adversely affecting our business, financial conditions and results of operations.

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

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our Executive Directors namely, Mr. Ken Poon, Mr. Tommy Poon and Mr. Ng Kwok Wai, and our senior management team namely, Mr. Lee Siu Ki, Mr. Yu Fat Shing and Mr. Lo Chi Kok. If one or more of our Executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we may not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our business, financial conditions and results of operations may be materially and adversely affected.

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

We rely on our suppliers for stable and timely delivery of quality raw materials such as sprinklers, valves, as well as automatic fire alarm systems and gaseous extinguishing systems. For each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our materials cost amounted to approximately HK\$24.1 million, HK\$40.0 million and HK\$12.7 million, respectively, representing approximately 22.7%, 29.5% and 22.8% of our total direct costs, respectively.

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

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

## RISK FACTORS

**Our customers pay us by way of progress payment and hold retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period**

Generally we receive progress payment from our customers on a monthly basis, with reference to the value of works completed in the preceding month. The value of the works completed is assessed by our customer's representatives who will issue an interim certificate certifying the work progress in the preceding month. In line with industry practise, there is generally a contract term for our customer to secure our Group's due performance by holding up retention money from the progress payment. The certified value retained at each stage is generally 10%, subject to a limit of retention fund of not more than 5% of the total contract value. In general, half of the retention money will be released to us upon the issuance of a certificate of practical completion of the contracted works by customers and the balance will be released after expiry of the defect liability period subject to the confirmation from the customer regarding satisfaction with our works.

During the Track Record Period, our customers usually settle the invoices in 14 to 21 days after the issuance of invoices. Our trade and retention receivables were HK\$16.6 million, HK\$30.1 million and HK\$33.7 million as at 31 March 2016, 31 March 2017 and 31 July 2017 respectively. However, there can be no assurance that the financial position of our customers will remain healthy in the future. We cannot assure that the progress payment will be paid to us on time and in full, or the retention money or any future retention money will be released by our customers to us on a timely basis and in full or that there will not be any future disputes with our customers in terms of collection of progress payment and/or retention money which may results in significant delay in progress payment and/or retention money collection. In the event that our customers fail to make such payments on time and in full, our future liquidity position and results of operation may be materially and adversely affected.

**We may be unable to attract and retain employees with the requisite skills, expertise and experience. Also any increase in labour costs could affect our operation and financial results**

We rely on the skills, expertise and experience of our employees to provide quality fire safety services to our customers. Our staff costs, including salaries and other employee's benefits, amounted to approximately HK\$11.8 million, HK\$14.9 million and HK\$5.6 million for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively, which accounted for approximately 9.6%, 9.2% and 8.4%, respectively, of our revenue for the relevant year. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary for us to execute our business or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labour force on a continuous basis, our competitiveness and business will be damaged, which in turn will adversely affect our financial condition and operations. Further, we may not be able to handle existing projects or compete for new projects, which may inhibit our future expansion and growth.

## RISK FACTORS

**We require various registrations, licences and qualifications to operate our business in Hong Kong. Any expiry, withdrawal, revocation, downgrading of and/or failure to renew such registrations, licences and qualifications would adversely affect our operations and financial results**

Our Group and/or our personnel possess and rely on various registrations, licenses and qualifications to operate our business in Hong Kong. For details of our Group's existing registrations, licenses and qualifications, please refer to the section headed "Business — Licences and qualifications" in this prospectus.

These registrations, licenses and qualifications may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. Further, the relevant authorities may remove us from their lists or take out disciplinary actions against us. Losing any of these registrations, licenses and qualifications may result in suspension of our operations, which would have a material adverse impact on our business, financial conditions and results of operations.

**Our historical financial conditions and results of operations may not be indicative of our future growth, and the unaudited pro forma financial information are not necessarily indicative of what our financial condition, results of operations and changes in liquidity and capital resources will be in the years following the completion of the acquisition**

For the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our revenue amounted to approximately HK\$122.8 million, HK\$161.2 million and HK\$67.0 million respectively, while our gross profit amounted to approximately HK\$16.7 million, HK\$25.8 million and HK\$11.4 million respectively, with gross profit margin of approximately 13.6%, 16.0% and 17.0% respectively. Such historical financial information is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future.

Moreover, the above historical financial information primarily reflects the operating results of our principal operating subsidiary, namely GFE, during the Track Record Period, as GEL, our other operating subsidiary, was only acquired by our Group after the Track Record Period. The operating results of GEL were not consolidated with those of our Group before the acquisition due to the different ownership structure of the two companies before the acquisition.

Assuming the acquisition of GEL had occurred on the first day of the Track Record Period, the pro forma revenue of the enlarged Group resulting from the GEL Acquisition would have been HK\$207.1 million for the year ended 31 March 2017, an increase of 28.5% over the revenue of our Group for the same year. Please refer to "Appendix IIA — Unaudited pro forma financial information of the enlarged Group" in this prospectus for further details of the unaudited pro forma financial information of the enlarged Group resulting from the GEL Acquisition.

However, such pro forma combined financial information is not necessarily representative of our financial condition, results of operations and changes in liquidity and capital resources, as they would have appeared in our financial statements had the acquisition of GEL occurred. In addition, the financial information are not necessarily indicative of what our financial conditions, results of operations and changes in liquidity and capital resources will be in the years following the completion of the acquisition. Investors should not place undue reliance on the pro forma financial information.

## RISK FACTORS

We cannot assure that we will be able to operate our business as successful in the future or that the macro-economic condition of Hong Kong will not deteriorate. Our financial conditions and results of operations may be adversely affected if we fail to operate our business as successful or the macro-economic condition in Hong Kong becomes unfavourable.

### **Our ability to secure performance bonds will affect our ability to undertake our projects**

It is a common practice in the fire safety service industry that contractors are required by their customers to take out performance bonds furnished by a bank or acceptable financial institution at a fixed sum or in a certain percentage of the contract value to secure the contractual performance of the project. If the contractor fails to comply with the requirements in the contract, the customer is guaranteed a compensation for monetary loss up to the amount of the performance bond. Our ability to secure a performance bond is critical to fulfil the conditions of and undertake such contracts. In the event that we are unable to secure the requisite performance bonds for any reason, our award of these fire safety system installation projects will be revoked. This may materially and adversely affect our revenue and profitability.

### **There is no assurance that our business strategies and future plans will be successfully implemented**

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to, among other matters, the expected future prospect of the fire safety service industry in Hong Kong and the continuation of our competitive advances and other factors considered relevant. Some of our future business plans are based on certain assumptions. The successful implementation of our business strategies and future plans will be affected by various factors, including but not limited to government policies relevant to our industry, the general economic conditions in Hong Kong, our ability to maintain our existing competitive advantages, our relationship with our customers, the availability of sufficient funds and the threat of substitutes and new market entrants. There is no assurance that we will be able to successfully implement our business strategies or future plans. While our business strategies or future plans are implemented, there is no assurance that they will increase our market share or enhance our market position. Our business, financial conditions and results of operations may be materially and adversely affected if our business strategies or future plans are not successfully implemented.

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

Our Group is typically required to complete each project according to a fixed schedule by an agreed date as stated in the contract. However, projects may be delayed or disrupted due to various factors, including unfavourable weather conditions, accidents, availability of sufficient labour force, delays in delivery of goods and services by subcontractors and/or suppliers, disputes with customers, subcontractors and/or suppliers, or other factors that are beyond our control. If we fail to timely complete a project or in breach of the contractual obligations, we may be liable to compensate the customers liquidated damages for any losses or damages arising from the delay. Any delay in the completion of a project, whether or not caused by our Group, may lead to additional costs being incurred, including costs to hire additional manpower.



## RISK FACTORS

However, we cannot guarantee that we will complete every project on time or at all, nor can we assure that our customers would grant us sufficient time extensions in cases of delay in completion in the future. As we typically receive payment in stages based on project progress, any delay in the course of a project may postpone the receipt of payments which could have a material adverse effect on our Group's cashflow position. Moreover, any delay in the completion of a project caused by our Group could harm our reputation in the industry, which may, in turn, materially and adversely affect our business, financial conditions and results of operations.

### **We have recorded net cash outflow from operating activities for the year ended 31 March 2017 and the four months ended 31 July 2017**

We recorded net cash outflow from operating activities of HK\$17.7 million for the year ended 31 March 2017 primarily due to the increases in the trade receivables and retention receivables balances and the increase in the amounts due from customers of contract work; and of approximately HK\$7.7 million for the four months ended 31 July 2017 primarily due to the increase in trade and other receivables, the decrease in trade and other payables and the increase in amounts due from customers of contract work. Further information is set forth in the section headed "Financial information — Cash flows — Net cash generated from/(used in) operating activities" in this prospectus. If we continue to record net operating cash outflows in the future, our working capital may be constrained which could materially and adversely affect our business and financial conditions and operating results. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

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

In the course of our operations, we require our employees and our subcontractors to comply with and implement all safety measures and procedures as stipulated in our in-house rules and those set by the main contractor. Nevertheless, we cannot guarantee that there will be no violation of these safety measures or other related rules and regulations by our employees or our subcontractors. Any such violation may lead to the occurrence of personal injuries, property damage or fatal accidents and exposed ourselves to claims and litigation, which may materially and adversely affect our business, financial conditions and results of operations.

### **Our Group had tax errors in the statutory financial statements of GFE for years prior to and the year ended 31 March 2016**

In preparation of the financial information of our Group for the Track Record Period, the management of our Company had identified errors, being mainly accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial statements of GFE for the years prior to and the year ended 31 March 2016. Adjustments were made to opening balance of Hong Kong profits tax payable as at 1 April 2015 for underprovided profit tax in relation to upward adjustments on retained profits of the Group as at 1 April 2015. These adjustments have been reflected in the underlying financial statements of the Group for the Track Record Period. As a result of the foregoing and taking into account of materiality, the tax undercharged for the year ended 31 March 2016 of approximately HK\$1.5 million has been restated in the financial statements of profit or loss for the year ended 31 March 2016. Such amount of tax undercharged is subject to final assessment of the Inland Revenue Department ("IRD").

## RISK FACTORS

Based on the tax opinion issued by our tax adviser, Edwin Yeung & Company (CPA) Limited, the potential tax penalty is expected to be approximately HK\$78,497, being 5% of the aggregated tax undercharged plus interest. For further details, please refer to the paragraph headed “Financial information — Combined statements of financial position — Tax liabilities” in this prospectus.

There is no assurance that the relevant authorities would not take any enforcement action against the GFE in relation to the tax errors. In the event that such enforcement action is taken, and the amount of tax undercharged after the final assessment of the IRD and tax penalty imposed exceeds substantially than what we expect, our reputation and cash flow may be adversely affected.

### **We may be involved in disputes, legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result**

Although our Group is committed to maintaining a safe working environment at our sites and require our employees to adhere to safety measures and procedures which complies with regulatory requirements, we cannot guarantee that our employees and those of our subcontractors will not violate applicable rules, laws or regulations. If our employees or that of our subcontractors fail to observe the safety measures, accidents causing personal injuries and/or deaths may occur. In such event, we may be liable to make compensation or fines or subject to other legal liability for such personal injury or death as well as business interruptions caused by machinery and equipment shutdowns for investigations and imposition of safety measures. Further, these industrial accidents may prevent our Group from completing our obligation under a contract in accordance with its terms. Our Group may also face legal claims from our customers, subcontractors, workers, and other parties concerned for losses and damages or face criminal prosecution as a result.

In such events, we may have to incur costs to defend our Group in legal and other proceedings. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages and other fines or penalties. In the event of serious accidents or fatal accidents, it may also cause our relevant registrations to be suspended or affect the renewal of which, and may even face prosecution against our Group. If this occurs, our business, financial conditions and results of operations may be materially and adversely affected.

### **Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results**

During the Track Record Period, our Group was engaged either as a domestic subcontractor or a nominated subcontractor for our projects of installation and maintenance of fire safety systems. We maintain employees’ compensation insurance for employees in compliance with the Employees’ Compensation Ordinance to cover compensation and costs liable by our Group for personal injuries of our employees in the course of employment with us. In addition, depending on project scope and the contract specifications, our Group may be responsible for taking out the contractors’ all risk insurance policies for our employees. Such insurance policies generally extend throughout the entire duration of a contract, including the defect liability period following completion of the project. For more details of our insurance policies, please refer to the section headed “Business — Insurance” in this prospectus. However, there is no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in

## RISK FACTORS

the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate or cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately at all. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our business, financial conditions and results of operations may be materially and adversely affected.

With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the amount from the insurer.

### **Our customers may cancel certain portion of our contracted works by variation orders resulting in the total contract sum of the relevant project reduced**

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

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

### **We may fail to maintain our reputation and this can adversely affect our Group's business, financial condition and results of operations**

We believe that the reputation we have built over the years plays a significant role in attracting customers and securing projects. Whether or not we can maintain or promote our reputation depend largely on our ability to provide quality and timely services to our customers. The reputation of our Group could be adversely affected if our customers no longer perceive our services to be of a high quality. This will, in turn, materially and adversely affect our business, financial conditions and results of operations.

### **Rising labour costs may increase our costs and affect our performance**

Our business and success depend heavily on the service provided by our staff, particularly on the technical staff. The labour costs have kept increasing in recent years. According to the F&S Report, the estimated average daily wage of workers engaging in the fire safety services industry in Hong Kong increased from HK\$735.5 per day per worker in 2011 to HK\$1,032.0 per day per worker in 2016, representing a CAGR of approximately 7.0%. The direct labour cost accounted for approximately 7.7%, 7.7% and 6.5% of our cost of revenue for each of the two financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. Since most of our projects are charged at fixed price, in the event that there is an increase in our labour cost, our Group may not be able to transfer the increase of labour cost to our customers. Accordingly, our business, financial conditions and results of operations may be adversely affected.

## RISK FACTORS

**We plan to setup a central pre-fabrication workshop to streamline our fire service installation process, which involves significant upfront investment in capital assets. The incremental depreciation expense may adversely affect our operating results and financial position**

Capital expenditure required to setup the pre-fabrication workshop, as described in the section headed “Business — Business strategies — Streamline our fire service installation process” of this prospectus, includes the acquisition of machineries, motor vehicle, furniture and leasehold improvement. We estimate total spending to be approximately HK\$2.0 million and this creates additional depreciation expense of approximately HK\$0.5 million per annum based on a useful life of 4 years for the corresponding fixed asset class according to our accounting policy.

**We will record an increase in rental expenses after disposal of our existing workshop and setting up a central pre-fabrication workshop which may adversely affect our operating results and financial position**

As discussed in the paragraph headed “Summary — Dividend” in this prospectus, our existing workshop at Workshop No. 2 on the 13th Floor of Tak King Industrial Building, Chai Wan, Hong Kong, with approximate total saleable area of 2,937 square feet, was disposed to a company owned by existing Shareholders as the settlement of their current account owing by us. As part of the arrangement, the property is leased back to us for our operation. As per opinion letter issued by an independent valuer, the fair rental of the abovementioned property is approximately HK\$0.5 million per annum.

In addition, using proceeds from the Share Offer, we plan to setup a central pre-fabrication workshop facility to streamline our operations. We plan to rent a location with an area of approximately 10,000 square feet in the New Territories, Hong Kong. We project monthly rental expense to be approximately HK\$130,000. For further details, please refer to the paragraph headed “Future plans and use of proceeds” in this prospectus.

We will incur higher annual rental expenses resulting from the above, and our operating results and financial position may in turn be adversely affected.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

**We operate in a highly competitive industry, and failure to compete efficiently would materially and adversely affect our operations and financial results**

We operate in the fire safety service industry, which is a competitive industry with a large number of competitors including local and international companies which offer similar services as ours. Some of our competitors may have more manpower, stronger brand names, licences and qualifications, longer operating histories, resources and stronger relationship with customers and brand names. Due to the large number of competitors, we face pricing pressure which may reduce our profit margins. Further, if we cannot adapt effectively to market conditions or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

## RISK FACTORS

We may also compete in other areas including for services of subcontractors and qualified employees. If we cannot obtain their services on favourable terms or at all, or are unable to compete in such other areas, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

**Any changes in existing laws, regulations and government policies, in particular the introduction of more stringent law and regulations on fire safety service industry may increase our Group's compliance costs**

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

### **RISKS RELATING TO HONG KONG**

**The state of economy in Hong Kong may adversely affect our performance and financial condition**

All of our Company's revenue are generated from Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our business, financial conditions and results of operations may be materially and adversely affected.

**The state of political environment in Hong Kong may adversely affect our performance and financial condition**

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our business, financial conditions and results of operations.

## RISK FACTORS

### **RISKS RELATING TO THE SHARE OFFER**

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

Prior to the Share Offer, there was no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, inter alia, the following factors, some of which are beyond our Company's control:

- (a) variation in our Company's results of operation;
- (b) success or failure of our Company's management team in implementing stated business and growth strategies;
- (c) gain or loss of an important business relationship(s);
- (d) changes in securities analysts' recommendations, perceptions or estimates of our Company's financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- (f) changes in market valuations and share prices of companies that may be listed in Hong Kong;
- (g) additions or departures of key personnel;
- (h) fluctuations in market prices for our services;
- (i) fluctuations in stock market prices and volume; or
- (j) involvement in litigation.

In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

## RISK FACTORS

### **Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares**

We cannot assure you that our existing Shareholders, including, but not limited to, our Controlling Shareholders, will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, that any future sales of our Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by our Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

### **There can be no assurance that we will pay dividends in the future**

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other things, our Company's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial information — Dividend and dividend policy" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

### **Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect our profitability**

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

## RISK FACTORS

### RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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

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

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

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



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

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

This prospectus, for which our Directors collectively and individually take full responsibility, includes particulars given in compliance with the Companies Ordinance, 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 purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and
- there are no other matters the omission of which would make any statement herein or this prospectus as a whole misleading.

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

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus or the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other parties involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

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

The Listing is sponsored by the Sponsor. 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 agreement on the Offer Price between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 6 February 2018, subject to the Offer Price being agreed. The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before Thursday, 8 February 2018, the Share Offer will not proceed and will lapse.

Further details of the Underwriters and the underwriting arrangement are set out in the section headed “Underwriting — Underwriting arrangements and expenses” in this prospectus.

### **OFFER PRICE**

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently expected to be on or about, Tuesday, 6 February 2018 (or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree but in any event no later than Thursday, 8 February 2018). If, for whatever reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price on or before Thursday, 8 February 2018, the Share Offer will not become unconditional and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

### **RESTRICTIONS ON SALE OF THE OFFER SHARES**

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms. This prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an repeated unauthorised offer or invitation. Persons who possess this prospectus and/or the Application Forms are deemed to have confirmed with our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

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

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

Each person subscribing for or purchasing of the Offer Shares will be required to, or is deemed by his/her/its subscription or purchase of the Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing for, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

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

The Sponsor has applied on behalf of the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Share Offer, the Capitalisation Issue and as otherwise described herein on GEM (including any Shares which may be issued pursuant of any option which may be granted under Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer.)

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and the permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Division of the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. Accordingly, a total of 300,000,000 Offer Shares, which currently represents 25% of the enlarged issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Share Option Scheme), will be made available under the Share Offer.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

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

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

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

All Offer Shares issued by our Company pursuant to the Share Offer will be registered on our register of members to be maintained in Hong Kong. Only securities registered on our register of members in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in our Shares registered on our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be paid at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

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

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and our Company'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 Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on or about Monday, 12 February 2018. Shares will be traded in board lots of 20,000 Shares each and are freely transferable. The stock code for the Shares will be 8535.

No temporary documents or evidence of title will be issued.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### **CURRENCY TRANSLATION**

In this prospectus, unless otherwise specified, amounts denominated in US\$ have been translated, for illustration purposes only, into Hong Kong dollars and vice versa at an exchange rate of HK\$7.78 = US\$1.00.

Such conversions shall not be construed as representations that amounts in US\$ or HK\$, were or could be converted at such rate or any other exchange rates on such date or any other date.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, total of rows or columns of number in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may be rounded up or down.

### **LANGUAGE**

Translated English names of PRC natural persons, legal persons, governmental authorities and departments, institutions, certificates, titles or the like for which no official English translation exists are unofficial translations from their corresponding names in Chinese and are included for identification purposes only. In the event of inconsistencies, the name(s) in Chinese shall prevail. The English translation of such terms in Chinese is also for identification purposes and for your reference only. If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Poon Ken Ching Keung (潘正強)	Flat A, 12/F, Avalon, 17-19 Tai Hang Road, Hong Kong	Chinese
Mr. Poon Ching Tong Tommy (潘正棠)	Flat A, 12/F, Avalon, 17-19 Tai Hang Road, Hong Kong	Chinese
Mr. Ng Kwok Wai (吳國威)	Room 1154, 11/F, Lok Sin Lau, Lok Man Sun Chuen, Kowloon, Hong Kong	Chinese
<i>Non-executive Director</i>		
Ms. Poon Kam Yee Odilia (潘錦儀)	Flat A, 10/F, Block 5, Pacific Palisades, 1 Braemar Hill Road, North Point, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Wong Kam Din (王金殿)	Flat D, 22/F, Block 16, Hong Kong Garden, Tsing Lung Tau, New Territories, Hong Kong	British
Mr. Yung Chung Hing (翁宗興)	Flat LC, 65/F, TWR 11, Meadowland, La Splendeur, Tseung Kwan O, New Territories, Hong Kong	Chinese
Mr. Lam Chung Wai (林仲煒)	Flat C, 29/F, Tower 8, Bellagio, 33 Castle Peak Road, Sham Tseng, New Territories, Hong Kong	Chinese

Further information on the profile and background of our Directors has been disclosed in the section headed “Directors and senior management” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

<b>Party</b>	<b>Name and address</b>
<b>Sponsor</b>	<b>Kingsway Capital Limited</b> <i>A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO</i> 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong
<b>Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters</b>	<b>Kingsway Financial Services Group Limited</b> 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong  <b>SBI China Capital Financial Services Limited</b> Unit A2, 32/F, United Centre, 95 Queensway, Hong Kong
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law</i> <b>Kwok Yih &amp; Chan</b> Suites 2103-05, 21st Floor, 9 Queen's Road Central, Hong Kong  <i>As to Cayman Islands law</i> <b>Appleby</b> 2206-19 Jardine House, 1 Connaught Place, Central, Hong Kong
<b>Legal advisers to the Sponsor and the Underwriters</b>	<i>As to Hong Kong law</i> <b>CFN Lawyers</b> <b>in association with Broad &amp; Bright</b> 27/F, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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<b>Reporting accountants</b>	<b>BDO Limited</b> <i>Certified Public Accountants</i> 25th floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
<b>Compliance adviser</b>	<b>Kingsway Capital Limited</b> <i>A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO</i> 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong
<b>Tax consultant</b>	<b>Edwin Yeung &amp; Company (CPA) Limited</b> <i>Certified Public Accountants</i> 12th Floor, Lucky Building, 39 Wellington Street, Central, Hong Kong
<b>Property Valuer</b>	<b>Jones Lang LaSalle Corporate Appraisal and Advisory Limited</b> 6/F Three Pacific Place, 1 Queen's Road East, Hong Kong
<b>Receiving Bank</b>	<b>DBS Bank (Hong Kong) Limited</b> 16/F, The Center, 99 Queen's Road Central, Central, Hong Kong



## CORPORATE INFORMATION

<b>Registered office</b>	PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Unit 2, 13/F., Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong
<b>Company secretary</b>	<b>Mr. Or, Sek Hey Seky</b> ( <i>Certified Public Accountant</i> ) No. 9, 2nd Street, Section H, Fairview Park, Yuen Long, New Territories, Hong Kong
<b>Authorised representatives</b>	<b>Mr. Poon Ken Ching Keung</b> Flat A, 12/F, Avalon, 17-19 Tai Hang Road, Hong Kong  <b>Mr. Or, Sek Hey Seky</b> ( <i>Certified Public Accountant</i> ) No. 9, 2nd Street, Section H, Fairview Park, Yuen Long, New Territories, Hong Kong
<b>Compliance officer</b>	<b>Mr. Poon Ken Ching Keung</b> Flat A, 12/F, Avalon, 17-19 Tai Hang Road, Hong Kong
<b>Audit committee</b>	Mr. Yung Chung Hing ( <i>Chairman</i> ) Dr. Wong Kam Din Mr. Lam Chung Wai
<b>Remuneration committee</b>	Dr. Wong Kam Din ( <i>Chairman</i> ) Mr. Poon Ken Ching Keung Mr. Yung Chung Hing
<b>Nomination committee</b>	Mr. Poon Ken Ching Keung ( <i>Chairman</i> ) Dr. Wong Kam Din Mr. Lam Chung Wai

## CORPORATE INFORMATION

**Principal share registrar and  
transfer office**

**Estera Trust (Cayman) Limited**  
PO Box 1350,  
Clifton House,  
75 Fort Street,  
Grand Cayman KY1-1108,  
Cayman Islands

**Hong Kong 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

**Company's website**

[www.vistarholdings.com](http://www.vistarholdings.com)  
*(information contained in this website does not form part  
of this prospectus)*

<p style="text-align: center;"><b>WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES</b></p>
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In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

**CONTINUING CONNECTED TRANSACTIONS**

We have entered into a transaction which would constitute non-exempt continuing connected transaction of our Company under the GEM Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules for such non-exempt continuing connected transaction. For further details, please refer to the section headed “Continuing connected transactions — Non-exempt continuing connected transaction” in this prospectus.

## INDUSTRY OVERVIEW

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We (exclude Frost & Sullivan) have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer, nor is any representation given as to its accuracy or completeness. Accordingly, undue reliance should not be placed on such information or statistics.*

*The information extracted from the F&S Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. Reference to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the F&S Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after making reasonable enquiries, there has been no adverse change in market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.*

### REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Hong Kong fire safety services industry for the period from 2011 to 2021. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the F&S Report. We paid Frost & Sullivan a fee of HK\$350,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the Fire Safety Services and related industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the F&S Report in this prospectus because we believe this information facilitates an understanding of the Hong Kong fire safety services industry for the prospective investors. The F&S Report includes information on Hong Kong fire safety services industry as well as other economic data, which have been quoted in the prospectus.

## **INDUSTRY OVERVIEW**

Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong fire safety services industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

### **ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT**

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions:

- the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong fire safety services industry;
- the Hong Kong economy is likely to maintain stable growth in the next decade and the Hong Kong's social, economic and political environment is likely to remain stable in the forecast period;
- the Hong Kong fire safety services industry is expected to grow based on the macroeconomic assumptions of the economy; and
- additional key industry drivers include: strict enforcement on fire safety rules, impetus from construction sectors and sustained urban renewal.

### **OVERVIEW OF THE HONG KONG FIRE SAFETY SERVICE MARKET**

#### **Definition and Classification**

Fire safety services are the design and supply, installation maintenance, alteration and addition of the fire service systems, including automatic fire alarm systems, water and gas suppression systems and portable fire equipment for newly built, existing and redeveloped buildings in Hong Kong. The fire safety services generally include design and supply of the fire safety systems and installation, maintenance, alteration and addition of (i) automatic fire alarm systems (ii) water and gas suppression systems, and (iii) portable fire equipment.

## INDUSTRY OVERVIEW

### *Installation services*

Installation services include system design and installation of fire service systems for buildings under construction or re-development. For example, the fire service and water pump system installation services cover system design, supply and installation of fire prevention, fire detection and fire suppression and extinguishing systems which include, among other things, automatic fire alarm systems, sprinkler systems, manual fire alarm systems, fire hydrant and hose reel systems, drencher systems, water spray systems, foam systems, non-contaminating gas extinguishing systems, emergency lighting system and audio visual system.

### *Alteration and addition works*

The alteration and addition works cover the alteration and addition works on existing fire systems, generally include (i) the upgrade or replacement of fire safety systems of aging building, (ii) the re-installation of fire safety systems for buildings of which the usages have changed, (iii) the installation or re-installation of the fire safety system for renovation or retrofitting of a building, (iv) upgrade or replacement of fire safety system when there is an imposition of more stringent fire safety regulations and/ or an increased awareness of fire safety on the part of property owners.

### *Maintenance services*

Maintenance services cover the maintenance and repair of fire service systems for built premises including inspection, testing and/or repairing on these systems. One example is to conduct regular testing on fire service systems to ensure the systems work properly and issue Certificate of Fire Service Installation and Equipment by the fire safety service providers to Fire Services Department once satisfied.

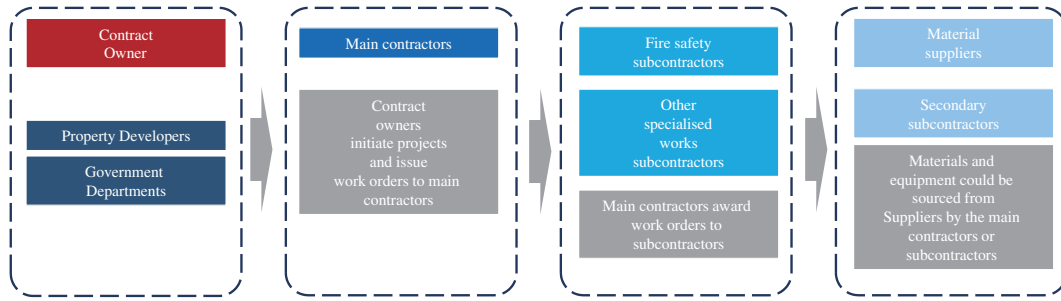
### **Value Chain Analysis**

In the construction industry, the property developers and government generally tender for service providers under contracts. Contracts are entered into between the contractors, usually government or property developers, and main contractors, pursuant to which the said main contractor shall be responsible for providing services in connection with the fire safety works, namely design and supply, installation, alteration, refurbishment and maintenance of fire safety systems, of the properties within particular district(s) and a specific timeframe in accordance with the terms and conditions thereof.

Sub contract is the contract entered into between the main contractor and the subcontractor, pursuant to which the said subcontractor shall be responsible for providing services in connection with the aforementioned fire safety works.

Public sector projects refer to projects commissioned by the Government departments such as Housing Authority and Electrical and Mechanical Services Department or Government related organisation while private sector projects refer to projects commissioned by individuals, property developers, property owners and main contractors who are engaged by property developers.

## INDUSTRY OVERVIEW



Source: Frost & Sullivan research and analysis

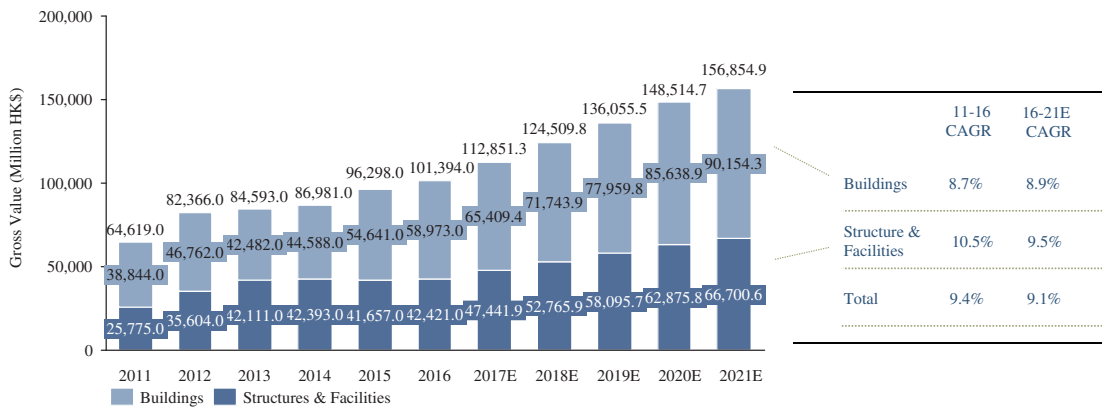
## OVERVIEW OF THE HONG KONG CONSTRUCTION MARKET

### Gross Value of Construction Works

Hong Kong's construction industry has performed well during 2011-2016 with the total gross value of construction work growing at a CAGR of 9.4% from HK\$64,619.0 million in 2011 to HK\$101,394.0 million in 2016.

The growth of construction works is derived from the sustained development in the industries, namely urban renewal, rising supply of residential flats and revitalisation of industrial buildings in Hong Kong. With the healthy development of the construction industry in Hong Kong, the gross value of construction works is forecasted to reach HK\$156,854.9 million in 2021 at a CAGR of 9.1% from 2016 to 2021.

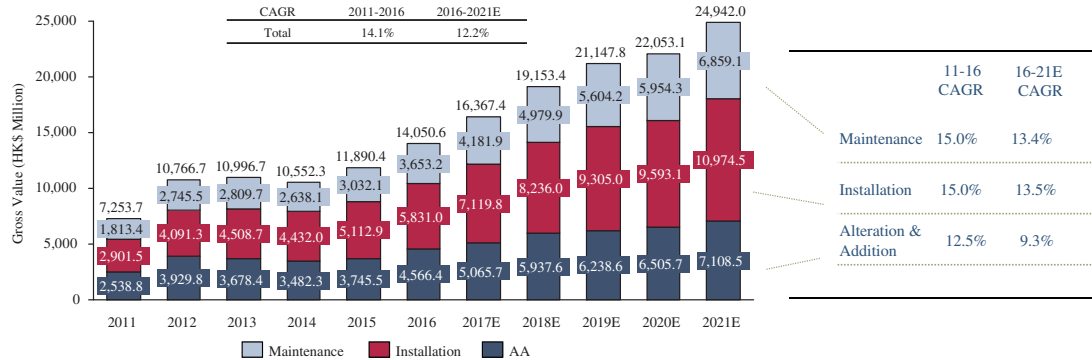
### Gross Value of Construction Works Performed in Hong Kong from 2011 to 2021



Source: Census and Statistic Department; Frost & Sullivan research and analysis

## INDUSTRY OVERVIEW

### Gross Value of Fire Safety Services in Hong Kong from 2011 to 2021



Source: Frost & Sullivan research and analysis

### Market Size

The gross value of fire safety services market in Hong Kong increased from HK\$7,253.7 million in 2011 to HK\$14,050.6 million in 2016, representing a CAGR of 14.1%, primarily due to the health development of the construction industry, rising requirements for fire safety services and the surging demand from renovation and redevelopment of the real estate project, which drives the works of installation and refurbishment of fire safety systems. With the slowdown in the increase of new building construction numbers in 2012, the growth in the market size slows down in 2013 and recorded an decrease in 2014. Continued growth in renovation work drives up the demand for installation and maintenance of fire system, as well as the fire safety solutions.

The rising standard for building safety and quality of works, increasing supply of land and expedited urban renewal would continue to boost the needs for automatic fire alarm systems, water and gas suppression systems and fire equipment. The estimated gross value of fire safety services in Hong Kong is forecasted to reach HK\$24,942.0 million in 2021, at a CAGR of 12.2% from 2016 to 2021.

#### Maintenance Segment:

Maintenance segment recorded a rapid growth from HK\$1,813.4 million in 2011 to HK\$3,653.2 million in 2016 at a CAGR of 15%. It is due to more stringent requirements set by the government, which lead to the rise of needs for maintenance services. Under the Mandatory Building Inspection Scheme (MBIS), owners of buildings aged 30 years or above (except domestic buildings not exceeding three-storeys) served with statutory notices are required to appoint an Registered Inspector (RI) to carry out the prescribed inspection and supervise the prescribed repair works found necessary of the building facilities. The number of old buildings is expected to continue its growth in the future, which would create the huge demand for maintenance services, combined with the rising requirements for the building safety. It is expected that the maintenance segment would maintain its growth from HK\$3,653.2 million in 2016 to HK\$6,859.1 million in 2021, representing a CAGR of 13.4%.



## INDUSTRY OVERVIEW

### *Installation Segment:*

To address the rising needs of housing, Hong Kong government has been launching policies to simplify and speed up the process of land planning and development, as well as studying the possibility of increasing land supply through changing land uses and exploring new development areas. The development plan would increase housing units, commercial buildings, recreation and cultural facilities, as well as the change of land uses, giving impetus to the installation segment in those real estate projects. These supportive property policies are the reasons for the increase in installation segment from HK\$2,901.5 million in 2011 to HK\$5,831.0 million in 2016, at a CAGR of 15.0%. These policies and development trends would continue to drive the installation segment to rise from HK\$5,831.0 million in 2016 to HK\$10,974.5 million in 2021, representing a CAGR of 13.5%.

### *Alteration and Addition Segment:*

The rising number of aging building in Hong Kong has prompted the redevelopment of community by renovation and demolition of existing buildings and facilities, which is followed by conversion, alteration and addition of building and facilities, such as the fire safety systems. Urban Renewal Authority has been taking the lead of and working with developers on a variety of redevelopment projects, which led to the rise of alteration and addition segment from HK\$2,538.8 million in 2011 to HK\$4,566.4 million in 2016, at a CAGR of 12.5%. The ongoing urban renewal serves as a good opportunity for developers as well as contractors of fire safety systems alteration and addition. The alteration and addition segment is forecasted to rise to HK\$7,108.5 million in 2021, representing a CAGR of 9.3%.

## MARKET ANALYSIS OF FIRE SAFETY SERVICES INDUSTRY OF HONG KONG

### **Market Drivers**

#### *Strict Enforcement on Fire Safety Rules*

According to the fire safety (buildings) ordinance, fire safety systems are mandatory to provide better protection from the risk of fire for occupants and users of, and visitors to, certain kinds of composite buildings and domestic buildings. With the Fire Safety Ordinance in place, owners or occupants of a premise are responsible to ensure the relevant fire safety services and equipment are installed or renovated or modified by a registered Fire Service Installation Contractor. The tightening of existing rules and the introduction of new fire safety rules such as the Registered Fire Engineers (RFEs) enforced by the Fire Safety Department after the rising awareness of fire safety as a result of recent fire incidents in industrial buildings will be a major driver of the fire safety market. It is expected that more fire safety systems would be replaced, refurbished and installed.

#### *Impetus from Construction Sectors*

According to the Fire Safety Ordinance, newly built buildings are obliged to install the required fire safety system and equipment according to the building type. As highlighted in the Policy Address 2017, the government has set out the medium and long term planning, and allocate land resources for development, including provision of over 8.6 million square metres of industrial and commercial floor area in new town extensions and new development area. It is anticipated that upgrading, installation and refurbishment of fire safety systems will also be on a rise along with the development projects, creating demand and driving the fire safety services to grow.

## INDUSTRY OVERVIEW

### *Urban Renewal*

With the ongoing urban redevelopment projects, the government aimed to revitalise urban communities by replacing old buildings with new buildings revitalising under-utilised industrial buildings. These aging buildings tend to have minimal installation of fire safety system and posing higher risk of triggering fire incidents or other hazards. Therefore, any recodification or change of building usage will require new or modified installation of fire safety system and equipment to ensure the safety of the owners or the occupants in the building, generating the need of fire safety services.

### **Market Trends**

#### *Adoption of Building Automation into New Buildings*

Newly completed buildings and future buildings in Hong Kong will begin to install the building automation system (BAS). The BAS is a centralised control system of a building, capable of controlling systems such as, lighting, air conditioning, ventilation and other systems, maximising the energy performance of the building. The implementation of the BAS benefits the fire safety market as one of the key element of the BAS is for fire fighting. With more new buildings in the Hong Kong that will be adopting to this new system, the fire safety market shall experience growth with the demand that comes with the BAS.

#### *Long-term Plan on Territorial Development*

The government initiated the “Hong Kong 2030+” strategic study to evaluate development of land usage, planning and infrastructure of Hong Kong beyond 2030 and evaluation of such was last conducted in 2007. With the government actively engaged in solving the issue on housing and commercial spaces, initiating the Ten Major Infrastructure Projects and Urban renewal supplies is already benefitting the fire safety market in recent years. The future outlook of the territorial development in Hong Kong will continue to benefit the fire safety service market in Hong Kong.

#### *Mixed-use Development in Urban Renewal*

Mix of office, commercial and non-pollution Industrial uses in redevelopments is now becoming one of the drivers to the construction market in Hong Kong. Under the revitalisation measures, the number of buildings that have undergone the plans of redevelopment and wholesale conversion is on the rise, which gives a rise to the needs for fire safety systems in the repair, maintenance, alteration and addition projects. On the other hand, the rising trend in mix of different land uses would reshape the requirements for fire safety systems in the future.

### **Entry Barriers**

#### *Proven Track Record*

Previous job reference and experience are the key considerations of client of fire safety works in Hong Kong. In general, the clients prefer the contractors with extensive track record in fire safety system installation and maintenance, particularly for the large scale projects. Thus, new entrants without proven track record may find it hard to win the trust of clients and land projects.

## INDUSTRY OVERVIEW

### *Capital Requirements*

In the fire safety services industry, a sufficient capital reserve is required prior to commencement of projects, which may also be spent on recruitment of workers, raw materials procurement as well as payment to workers. In addition, substantial amount of capital is needed for the issuance of surety bond. Capital requirements, therefore, serves as the barrier to the new entrants in the fire safety services market.

### *Established Relationship with Industry Players*

In Hong Kong, the construction, renovation and redevelopment of commercial and residential buildings are mainly initiated by the property developers. It is crucial for fire safety service providers to establish good long-term relationships with the major property developers. Sound track records and capabilities in delivering fire safety services with stability, reliability and quality of works are the key competition focuses in the market. Therefore, it is difficult for new entrants to establish long-term and interdependent relationships with the major property developers.

### **Market Constraints**

#### *Shortage of Labors and Increasing Labor Cost*

The fire safety service market in Hong Kong has experienced a shortage of labor with younger generations refusing to enter the industry as they prefer to work at a safe and comfortable environment. Without new incomers entering the industry to replace the aging worker population could hinder the growth of the industry. Furthermore, the implementation of the Statutory Minimum Wage and the shortage of skilled workers are inflicting financial burden to the fire safety service industry, which challenges the growth of the industry in Hong Kong.

#### *Reliance on Import of Fire Safety Equipment*

The increase of residential and commercial buildings in the next few years will create higher demand for fire services. However, fire safety services in Hong Kong is now completely relying on imported equipment and parts from countries such as China, Japan and USA. The fluctuation in import price and quantity would add uncertainty to the industry development, in the areas of budget control and project planning.

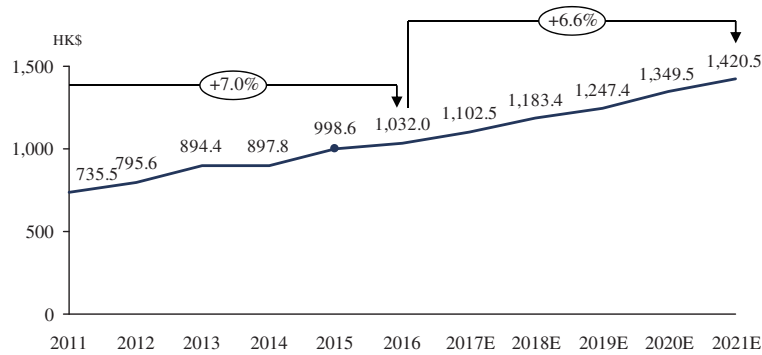
### **Cost Analysis**

#### *Workers engaged in fire safety services in Hong Kong*

Plumber, electrical fitter, fire services mechanic, building services maintenance mechanic and power cable jointer are the general labour types in the fire safety service industry. The average daily wages of fire safety services worker has increased from approximately HK\$735.5 in 2011 to approximately HK\$1,032.0 in 2016, representing a CAGR of approximately 7.0%. From 2016 to 2021, the average daily wages of fire safety services worker is forecasted to rise at a CAGR of 6.6%.

## INDUSTRY OVERVIEW

### Average Daily Wage of Workers Engaged in Fire Safety Services in Hong Kong from 2011 to 2021

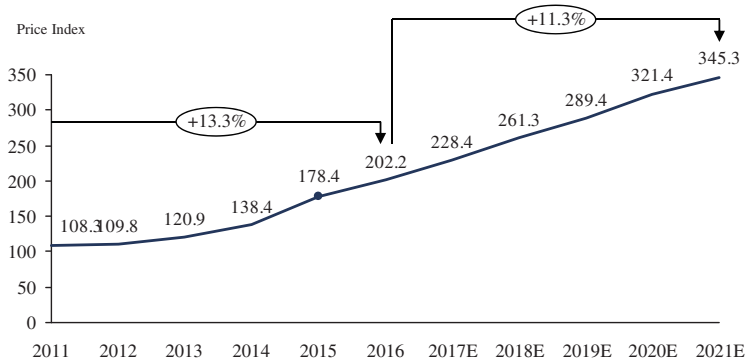


Source: Census and Statistic Department; Frost & Sullivan research and analysis

#### Major material costs

Major materials of fire safety system include gas/smoke analysis apparatus, fire extinguishers, pipes, tubes, hoses, taps, cocks, and water pumps. The price index of fire safety materials has recorded the CAGR of 13.3%, driven by the sustained growth of the fire safety service industry in Hong Kong. Benefited from the sustained development of fire safety services market in Hong Kong, the price index of major material would grow at a CAGR of 11.3% from 2016 to 2021.

### Index of Major Material Costs in the Fire Safety Services Market in Hong Kong from 2011-2021



Note: 2010 is the base year and the index is set to be 100.

Source: Census and Statistic Department; Frost & Sullivan research and analysis

## COMPETITIVE LANDSCAPE OF THE HONG KONG FIRE SAFETY SERVICE MARKET

### Competition Overview

Overall, the fire safety service market in Hong Kong is highly competitive with over 300 fire safety service providers focusing on both private and public sectors specialising in certain segments, such as public facilities, commercial buildings and residential buildings.

## INDUSTRY OVERVIEW

Subcontracting is a common practice in construction industry whereby main contractors subcontract the large scale projects to other contractors with specialist licenses or capabilities in certain areas, including fire safety services. In particular, the end users of residential flats and commercial buildings have preference over the fire safety services contractors, based on the track records, business relationship and quality of works. It is not uncommon that the fire safety services providers are nominated by the end users to the main contractors in the installation, maintenance and replacement of fire safety systems. The fire safety services providers on the nominated contractor list of the leading property developers and property managers, therefore, receive the impetus from the growing fire safety works in relation to installation, refurbishment and maintenance in Hong Kong.

Stringent requirements are set by the end-users in selecting fire safety sub-contractors. Only the contractors with proven track record, sufficient financial resources, systematic quality and safety assurance are nominated. Given the rigorous competition among the fire safety contractors in price, quality, track record and capacity, different subcontractors might be nominated from time to time.

In 2016, the Group recorded the revenue of HK\$162.1 million for the provision of fire safety services, accounting for 1.2% of the market share in Hong Kong.

The market players have developed strong business relationship with the subcontractors and suppliers through years of cooperation to ensure the stable supply of equipment and materials, as well as the flexibility in manpower deployment. The stable relationship with the suppliers and subcontractors also avoids the shortage or delay of supply in materials and manpower, or deterioration in the quality of materials or services, that materially and adversely affect the operations.

In the Hong Kong fire safety service industry, the market players serve as the fire safety services provider and also engage in the sales of fire safety equipment on an order by order basis. Due to the close relationship built with the suppliers and subcontractors, it is not uncommon for the market players to sell the fire safety equipment to their subcontractors and suppliers in case of any shortage or more competitive pricing offered.

According to Fire Service Department, there are 365 Fire Service Installation Contractors in Hong Kong, as of June 2017. There are 55 contractors on the list of approved fire services installation contractors for public works by the Development Bureau, of which 17 are admitted as approved contractors under Group I for contracts of value up to HK\$2.3 million and 38 are under Group II for contracts of unlimited value.

List of Approved Fire Services Installation Contractors for Public Works		
Group	Contract Value	Number of Contractors
I	up to HK\$2.3 million	17
II	unlimited	38

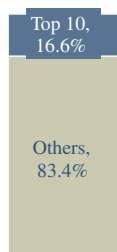
Source: Frost & Sullivan research and analysis

## INDUSTRY OVERVIEW

### Market Share of Top Ten Competitors by Sales Revenue in Fire Safety Service Market in Hong Kong in 2016

The fire safety service market in Hong Kong is fragmented with the top ten players contributing to 16.6% of the entire market in terms of revenue. The Group is the eighth largest player in market with revenue of HK\$161.2 million for the provision of fire safety services, accounting for 1.1% of the market share in Hong Kong.

Market Concentration, 2016



Market Size: HK\$14,050.6 million

Rank	Market Player	Estimated Revenue (HK\$ million)	Market Share (%)	Ownership
1	Company A	331.7	2.4%	Private
2	Company B	321	2.3%	Listed
3	Company C	299.6	2.1%	Listed
4	Company D	267.5	1.9%	Listed
5	Company E	246.1	1.8%	Private
6	Company F	224.7	1.6%	Private
7	Company G	219.6	1.6%	Private
8	The Group	161.2	1.1%	NA
9	Company H	135.3	1.0%	Listed
10	Company I	112.1	0.8%	Listed

*Revenue of the Group refers to the total revenue generated by the Group from 1 April 2016 to 31 March 2017.*

*Source:* Frost & Sullivan research and analysis

*Remark:*

1. Company A provides fully fledged E&M engineering services, including environmental engineering projects, building services, transport systems, E&M maintenance, automation, niche high-tech products and contracting and manufacturing projects.
2. Company B develops substantial expertise in E&M engineering, well-established E&M engineering operations in the PRC and Macau.
3. Company C's major businesses include building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, precast products manufacturing and trading, property development, hotel and property investment, IT solution and services, etc.
4. Company D engages in construction & building-related engineering services and in trading & distribution of advanced technology & systems in aviation.
5. Company E designs, integrates and installs security and fire safety systems suitable for any residential home or business.
6. Company F is experienced in all E&M trades including Electrical, Mechanical, Ventilation & Air-conditioning, Fire Services, Plumbing & Drainage, Building Management Systems and extra low voltage (ELV) Systems as well.
7. Company G's scope of services mainly focus on Fire Services, Plumbing and Drainage, Electrical, Air-condition installation.
8. Company H undertakes works in respect of the installation, maintenance, repairs or inspection of fire safety systems.
9. Company I provides comprehensive building services, including air systems, building management and equipment, security and fire safety.

## REGULATORY OVERVIEW

### THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of all the laws of Hong Kong which may be relevant to our business.

#### (A) Contractor licensing and registration regime

1. *Basic requirements for undertaking Fire Service Installation works in public and private sectors*

Fire Service (Installation Contractors) Regulations governs the registration of fire service installation contractors. Pursuant to Regulation 3(1), if a contractor has at least a director, partner or employee who is (a) 21 years of age or more; (b) resident in Hong Kong; and (c) holding qualifications specified in Regulation 4(2) and (3) of the Fire Service (Installation Contractors) Regulations, it may apply to the Director of Fire Services to register as a fire service installation contractor in class 1 and class 2.

Under Regulation 3(1A) of the Fire Service (Installation Contractors) Regulations, any person, who is 21 years of age or more and resident in Hong Kong, may apply to the Director of Fire Services for registration as a fire service installation contractor in class 3 and the Director of Fire Services shall notify him of the day fixed for a written examination or interview and for a workshop inspection.

Under Regulation 4 of the Fire Service (Installation Contractors) Regulations, the classification of registered fire service installation contractors are as follows:

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

As at the Latest Practicable Date, Guardian Fire Engineers and Consultants and Guardian Engineering were registered fire service installation contractors in Class 1 and Class 2 and Mr. Ken Poon, Mr. Tommy Poon and Mr. Tang Chi Man were registered in Class 3 under the Fire Service (Installation Contractors) Regulations. The Directors confirm that

## REGULATORY OVERVIEW

during the Track Record Period and up to the Latest Practicable Date, the registrations of Guardian Fire Engineers and Consultants and Guardian Engineering, Mr. Ken Poon, Mr. Tommy Poon and Mr. Tang Chi Man as a fire services installation contractor in Classes 1, 2 and (as the case may be) 3 have not been suspended or revoked by the Fire Services Department and Guardian Fire Engineers and Consultants and Guardian Engineering, Mr. Ken Poon, Mr. Tommy Poon and Mr. Tang Chi Man have met the applicable criteria and requirements on retention on the registers.

The Director of Fire Services has published the Code of Practice for Inspection, Testing and Maintenance of Installations and Equipment (the “**Code of Practice**”) in accordance with Regulation 10 of the Fire Service (Installations and Equipment) Regulations to govern the inspection and testing of fire service equipment. The Code of Practice indicates the type and nature of inspections and tests which installations and equipment must normally pass in order to satisfy the Director of Fire Services and gives guidance as to the conduct of inspections and tests.

Pursuant to Regulation 14 of the Fire Service (Installations Contractors) Regulations, a registered fire service installation contractor who undertakes any work in connection with fire service installation or equipment outside his registered class, shall be guilty of an offence and pursuant to Regulation 16 of the Fire Service (Installations Contractors) Regulations, the said contractor shall be liable on conviction to a fine at level 3 (currently at HK\$10,000).

According to Regulation 9 of Fire Service (Installations and Equipment) Regulations, whenever a registered fire service installation contractor installs, maintains, repairs or inspects any fire service installation or equipment in any premises, he shall within 14 days after completion of the work issue to the person on whose instructions the work was undertaken a certificate and forward a copy thereof to the Director of Fire Services. The said certificate shall be signed by such a person authorised to do so under Regulation 3A of the Fire Service (Installation Contractors) Regulations. Any person who signs a certificate which is false or misleading in any material particular commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000). Further, under Regulation 9(3) of Fire Services (Installations and Equipment) Regulations, a registered fire service installation contractor who (a) fails to issue the said certificate and forward a copy thereof to the Director of Fire Services; or (b) issues or forwards such certificate, or a copy thereof, which is false or misleading in a material particular, also commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

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



## REGULATORY OVERVIEW

### 2. *Specific requirements for undertaking Fire Service Installation works in public sector*

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

The List comprises contractors who are approved for carrying out public works in one or more of the following five categories:

	<b>Category</b>	<b>Department</b>
(i)	Buildings	Architectural Services Department
(ii)	Port Works	Civil Engineering and Development Department
(iii)	Site Formation	Civil Engineering and Development Department
(iv)	Roads and Drainage	Highways Department
(v)	Waterworks	Water Supplies Department

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

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

The Fire Service Installation category on the Specialist List is further divided into 2 groups of specialist contractors, namely Group I and Group II, each with different levels of authorised contract sum where the specialist contractors are eligible to tender:

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

## REGULATORY OVERVIEW

In general, if a contractor intends to be included and retained on the Specialist List, it should meet certain criteria applicable to its appropriate category and group on the Specialist List in respect of financial, technical, management, personal and safety aspects.

For retention on the Specialist List, a contractor should generally possess at least a positive capital value. Furthermore, a contractor is required to maintain certain periodically adjusted minimum levels of employed and working capital applicable to the appropriate category and group. Currently, for retention on any group in the category of Fire Service Installation of the Specialist List, a contractor must maintain a minimum employed capital of HK\$570,000 and a minimum working capital of HK\$570,000. In addition, the contractor is required to have a minimum annual turnover of HK\$50 million in each of the immediate past three years.

Guardian Fire Engineers and Consultants was admitted to the list of Group II of the Fire Service Installation category of the Specialist List on 18 August 1992. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, registration of Guardian Fire Engineers and Consultants on the list of Group II of the Fire Service Installation category of the Specialist List has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the Specialist List.

### 3. *Specific requirements for undertaking Fire Service Installation works in Housing Authority*

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

Guardian Fire Engineers and Consultants was included on the Housing Authority List of Fire Services and Water Pump Contractors (the “**FSWP List**”) on probation status. Contractors on the FSWP List are eligible to tender for works contracts and nominated sub-contracts of unlimited value in the category of fire services and water pump installations in residential, commercial and institutional buildings.

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

- (a) the prescribed statutory registration requirements as follows:
  - (i) Registered Fire Services Contractor of Class 1, 2 and 3 under the Fire Services (Installation Contractors) Regulations, Fire Services Ordinance; and
  - (ii) Registered Electrical Contractor under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong); and

## REGULATORY OVERVIEW

- (iii) a valid radioactive substance license holder granted by the Radiation Board under the Radiation Ordinance (Chapter 303 of the Laws of Hong Kong).
- (b) ISO 9001, ISO 14001 and OHSAS 18001 Certificates with the minimum certification scope of supply, installation and maintenance of fire services and water pump systems;
- (c) for admission to the FSWP List, satisfactory completion of the following contract(s) in Hong Kong over the past three years and satisfactory maintenance and operation of the said installations for at least six months for:
  - (i) one fire services and water pump installation with domestic block(s) (contract sum of at least HK\$3 million) and technical complexity similar to a typical Housing Authority domestic block project; and
  - (ii) one fire services and water pump installation with commercial/institutional building.
- (d) a minimum working capital of (i) or (ii) of the following, whichever is higher:
  - (i) HK\$570,000, or
  - (ii)
    - (1) 15% of outstanding works (if contractor has either employed capital or working capital under HK\$4.2 million); or
    - (2) 10% of outstanding works (if contractor has both employed capital and working capital not less than HK\$4.2 million respectively); or
    - (3) 8% on first HK\$950 million of outstanding works and 10% on remainder (if contractor is also a new works group building contractor on the Housing Authority List).
- (e) a minimum employed capital of (i) or (ii) of the following, whichever is higher:
  - (i)
    - (1) HK\$570,000; or
    - (2) HK\$2.3 million (if outstanding works is greater than or equal to HK\$23 million but less than HK\$47 million); or
    - (3) HK\$4.7 million (if outstanding works is greater than or equal to HK\$47 million); or
  - (ii) 10% of total assets.

## REGULATORY OVERVIEW

- (f) for a contractor with either confirmed or probationary status, a satisfactory demonstration of its financial performance based on its profitability trend analysis by calculating the profit/loss ratio in the prescribed way over the opening balance of the shareholders' funds or net worth for the past three years. If a contractor has a loss ratio greater than 30%, sufficient capital should be injected.
- (g) directly employ a minimum number of full time staff with the professional qualifications and relevant experience as prescribed in the Specific Guidelines, and to maintain adequate number of competent skilled workers for installation, maintenance and emergency services.

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

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

## REGULATORY OVERVIEW

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

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

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

As at the Latest Practicable Date, Guardian Fire Engineers and Consultants was on the FSWP List. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Guardian Fire Engineers and Consultants' registration on the FSWP List has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the FSWP List.

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

The Secretary for Development may remove a contractor from the List and/or the Specialist List or take other regulatory actions against the contractor, such as suspension, or downgrading to a lower class or group or status in all or any specific category if the contract cannot meet the standards. The following circumstances are some examples that may lead to the taking of regulating actions:

- (a) The performance of the contractor is unsatisfactory.
- (b) The contractor fails to submit a valid competitive tender for a period of three years.
- (c) The contractor fails to submit accounts or meet the financial criteria within the prescribed time; misconduct or suspected misconduct.
- (d) The site safe record of the contract is poor.
- (e) The contractor violates the laws.

## REGULATORY OVERVIEW

5. *Specialist contractor and minor works contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “Buildings Ordinance”)*

Under section 2 of the Buildings Ordinance, building works include any kind of building construction, site formation works, ground investigation in scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, as well as drainage works. A contractor carrying out building works in Hong Kong must register with the Building Authority as a general building contractor, a specialist contractor, or a minor works contractor.

We are specialist contractor and minor works contractor registered with the Building Authority.

(a) Registered specialist contractor

To undertake ventilating system works under the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong) in respect of installation, inspection and testing of air-conditioning systems, a contractor shall be a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance.

As at the Latest Practicable Date, Guardian Fire Engineers and Consultants was a Registered Specialist Contractor (Sub-register of Ventilation Works Category) under the Buildings Ordinance.

(b) Registered minor works contractor

Under the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**Minor Works Regulation**”), certain building works are specified as “minor works”, which could be carried out without the prior approval of the Building Authority of building plans and consent to commence works. Minor works are categorised into three classes (Classes I, II and III) according to their nature, scale, complexity and risk to safety they pose:

- (i) Class I comprises more complicated minor works and requires higher technical expertise and more stringent supervision, including the appointment of a prescribed building professional, such as an authorised person and where necessary, a registered structural engineer and/or a registered geotechnical engineer; and
- (ii) Class II comprise works that are less complex which can be carried out by registered contractors without the involvement of a prescribed building professional; and
- (iii) Class III comprise works of small scale and are common in household which can be carried out by registered contractors without the involvement of a prescribed building professional.

## REGULATORY OVERVIEW

The works under each class of minor works are further classified into seven types:

- (i) Type A (Alternation and Addition works);
- (ii) Type B (Repair Works);
- (iii) Type C (Works relating to Signboards);
- (iv) Type D (Drainage Works);
- (v) Type E (Works relating to Structures for Amenities);
- (vi) Type F (Finishes Works); and
- (vii) Type G (Demolition Works).

As at the Latest Practicable Date, Guardian Fire Engineers and Consultants, was registered minor works contractor for Type A (Classes II and III). Under section 12(5) of the Minor Works Regulation, the Building Authority must not allow an application for registration as a registered minor works contractor unless the Building Authority is satisfied the following:

- (i) in respect of each type of minor works under each class to which the application relates, at least one individual nominated as an authorised signatory for the type of minor works has the qualifications and experience specified by the Building Authority and has the ability to understand that type of minor works through relevant experience and a general knowledge of the basic statutory requirements;
- (ii) the applicant has access to plants and resources;
- (iii) if the applicant is a corporation, its management structure is adequate and at least one of its directors has the qualifications and experience specified by the Building Authority; and
- (iv) the applicant is suitable for registration in the register.

Under section 12(6) of the Minor Works Regulation, in deciding whether the applicant is suitable for registration in the register, the Building Authority must take into account whether the applicant and the individual nominated as authorised signatory have any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works and whether any disciplinary order has been made against the applicant or the person. In considering each application for registration, the Building Authority is to have regard to the qualification, experience and suitability of the following key personnel of the applicant:

## REGULATORY OVERVIEW

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purpose of the Buildings Ordinance as the authorised signatory; and
- (ii) for a corporation, a minimum of one director from the board of directors of the applicant as the technical director, who is authorised by the board to have access to plants and resources and provide technical and financial support for the execution of minor works.

Further, regarding a corporate applicant, a suitable person appointed by the board of directors is eligible to act as the authorised signatory and a director of the board of directors is eligible to act as the technical director.

As at the Latest Practicable Date, Mr. Tong Bill and Ms. Lee To Yin are our authorised signatory for Type A (Classes II and III) and Mr. Tommy Poon is our technical director. Nevertheless, our Directors consider that we are not overly reliant on our current authorised signatory and technical director in this regard because as at the Latest Practicable Date, we have other employees who meet several relevant requirements imposed by the Building Authority and are eligible to become authorised signatory of GFE. If necessary, they can take relevant courses and applications will be made to the Buildings Department for them to take up the role of authorised signatory. In addition, as at the Latest Practicable Date, Mr. Ken Poon and Ms. Lee To Yin possessed the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of technical director of GFE. Applications will be made to the Buildings Department for them to take up the role of technical director of GFE, when necessary.

Unless registration is removed by a disciplinary order, registration is valid for a period of three years from the date on which a person's name is included in the register. Registration can be renewed upon its expiry by making prior application to the Building Authority in accordance with section 8C of the Buildings Ordinance and section 14 of the Minor Works Regulation for registered specialist contractors and registered minor works contractors respectively.

The expiry date of our existing registration will be on 27 January 2020. Application for renewal of registration should be made by the registered contractor to the Building Authority not earlier than four months and not later than 28 days prior to the date of expiry of the registration.

6. *Basic requirements for registration as a Registered Electrical Contractor under the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) (“**Electricity Ordinance**”)*

The registration of electrical contractors with the Electrical and Mechanical Services Department (“**EMSD**”) is governed by the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong) (“**Electricity (Registration) Regulations**”). Pursuant to Regulation 3 of the Electricity (Registration) Regulations, if an applicant intends to be qualified as a registered electrical contractor, the applicant must either employ at least one registered electrical worker or:



## REGULATORY OVERVIEW

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

According to Regulation 12 of the Electricity (Registration) Regulations, a registration or renewed registration is only valid for a 3-year period which is shown on the certificate. A registered electrical contractor or a registered electrical worker who wishes to renew his registration shall submit an application for renewal of registration to the Director of Electrical and Mechanical Services of EMSD at least one month before but no earlier than four months before the expiry of the current registration.

According to section 30 of the Electricity Ordinance, the certificate issued by the Director of Electrical and Mechanical Services of EMSD to the registered electrical worker shall specify the grade of electrical work that the worker is entitled to do, which is divided into five grades.

Pursuant to section 34 of the Electricity Ordinance, a registered electrical contractor shall ensure that no registered electrical worker employed by him shall do electrical work unless the worker is entitled to do under the Electricity Ordinance.

Pursuant to section 36 of the Electricity Ordinance, where the Director of Electrical and Mechanical Services of EMSD considers that there is evidence that a registered electrical worker or a registered electrical contractor has failed to comply with the Electricity Ordinance, the Director of Electrical and Mechanical Services may: (i) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal or (ii) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000.

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

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

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

## REGULATORY OVERVIEW

Guardian Fire Engineers and Consultants has been a registered electrical contractor since 23 April 2004 and Guardian Engineering has been a registered electrical contractor since 10 May 2006. Mr. Tommy Poon is a registered electrical worker (Grade C) and Mr. Lo Chi Kok and Mr. Ching Kai Lun are registered electrical workers (Grade B).

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Guardian Fire Engineers and Consultants' and Guardian Engineering's respective certificate of registered electrical contractor has not been suspended or revoked and both Guardian Fire Engineers and Consultants and Guardian Engineering, have met the applicable criteria and requirements on maintaining the certificate valid.

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Mr. Tommy Poon's, Mr. Lo Chi Kok's and Mr. Ching Kai Lun's respective certificate of registered electrical worker has not been suspended or revoked and Mr. Tommy Poon, Mr. Lo Chi Kok and Mr. Ching Kai Lun have met the applicable criteria and requirements on maintaining the certificate valid.

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

The Radiation Ordinance provides for, among others, the control of the import, export, possession and use of radioactive substances. Under section 7(1) of the Radiation Ordinance, subject to some prescribed exemptions, no person shall manufacture, produce, sell, deal in or with, possess or use any radioactive substance or irradiating apparatus except under and in accordance with a licence issued under the Radiation Ordinance. Any person who contravenes section 7(1) of the Radiation Ordinance commits an offence and is liable to a fine of HK\$50,000 and to imprisonment for two years.

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

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

Guardian Fire Engineers and Consultants has been granted Radioactive Substance Licence by the Radiation Board under the provisions of the Radiation Ordinance since 6 August 1994 and its current Radioactive Substances License has validity until 6 August 2018.

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Guardian Fire Engineers and Consultants' Radioactive Substance Licence has not been suspended or revoked and it has met the applicable criteria and requirements on maintaining the licence valid.

## REGULATORY OVERVIEW

### 8. *Registered subcontractor on the Primary Register under the Sub-contractor Registration Scheme (SRS)*

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

Pursuant to the Rules and Procedures for the Primary Register of the Sub-contractor Registration Scheme (version 2) issued by CIC in July 2016, a company may apply for registration on the Primary Register by complying with either of the following requirements (a), (b) or (c):

#### Requirement R1

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

#### Requirement R2

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

#### Requirement R3

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

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

## REGULATORY OVERVIEW

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

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

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

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

As at the Latest Practicable Date, Guardian Fire Engineers and Consultants was registered under the SRS managed by CIC as a registered sub-contractor for taking part in building and engineering works for fire service systems.

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Guardian Fire Engineers and Consultants' registration as a registered sub-contractor has not been suspended or revoked and it has met the applicable criteria and requirements on retention on the register.

### **(B) Business Operations**

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

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

## REGULATORY OVERVIEW

2. *Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“**Inland Revenue Ordinance**”)*

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among other things, that persons (which include corporations, partnerships, trustees and bodies of persons) carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. The Inland Revenue Ordinance also contains provisions in relation to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

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

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

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

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

## REGULATORY OVERVIEW

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

Other matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) save for certain exceptions, the prohibition of employment of persons under 18 years of age; (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities, etc.

A contractor contravening any of these rules commits an offence. Depending on the regulations contravened, different levels of penalty will be imposed and a contractor being found guilty of the relevant offence could be liable to a fine up to HK\$200,000 and to imprisonment up to 12 months.

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

The Occupational Safety and Health Ordinance provides for protection to employees with respect to their safety and health in workplaces. It applies to both industrial workplaces and non-industrial workplaces.

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

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a safe and healthy work environment.

An employer who fails to comply with the above provisions commits an offence and is liable on conviction to a fine of HK\$200,000. 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.

## REGULATORY OVERVIEW

The Commissioner for Labour may serve improvement notices on an employer or an occupier of the workplace against contravention of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices against an activity or condition or use of workplace where there is an imminent risk of death or serious bodily injury. An employer or occupier who fails to comply with such notices without reasonable excuse commits an offence and is liable on conviction to a fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

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

The Occupiers Liability Ordinance 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.

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

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

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

A principal contractor’s and superior subcontractor’s (where applicable) liability shall be limited to:

- (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and
- (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

## REGULATORY OVERVIEW

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

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

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

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

According to the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation notwithstanding the employee might have been at fault or negligent when the accident occurred. If incapacity or the death of an employee results from an occupational disease and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, then the employee or members of his family, as the case may be, shall be entitled to the same compensation as if such incapacity or death had been caused by an accident arising out of and in the course of employment.

There are certain exceptions under which no compensation shall be payable by the employer under the Employees' Compensation Ordinance, such as injury not incapacitating the employee from earning full wages at work, deliberate self-injury, false representation by employee and injury attributed to the employee's addiction to drugs or having been influenced by alcohol at the time of accident.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to a subcontractor's employee who is injured in the course of his/her employment to the subcontractor. An employee employed by a subcontractor may issue a written request to the subcontractor to supply to the employee the name and address of the principal contractor and the subcontractor shall do so within 7 days after the date of issue of a written request. A subcontractor who fails to comply with such requirement without reasonable excuse commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).



## REGULATORY OVERVIEW

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

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

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

- (a) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years; and
- (b) on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 1 year.

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

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

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

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

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

Pursuant to the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income. The maximum mandatory contribution has been adjusted to HK\$1,500.

## REGULATORY OVERVIEW

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

Under section 38A of the Immigration Ordinance, a construction site controller commits an offence and is liable to a fine of HK\$350,000 if it is proved that an illegal immigrant was on the construction site unless he can prove that he had taken all practicable steps to prevent the presence of such person on the construction site.

A construction site controller also commits an offence and is liable to a fine of HK\$350,000 if it is proved that a person who is not lawfully employable takes employment on the construction site.

**(D) Environmental Protection**

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

The Air Pollution Control Ordinance is the principal legislation for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

Regulations made under the Air Pollution Control Ordinance may provide that a contravention of specified provisions thereof or of specified conditions of a licence shall be an offence punishable at a fine of not exceeding HK\$200,000 and imprisonment for 6 months, and in addition, if the offence is a continuing offence, to a fine not exceeding:

- (a) HK\$1,000 in respect of every one quarter of an hour; or
- (b) HK\$50,000 in respect of each day,

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Open Burning) Regulations (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong).

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works.

## REGULATORY OVERVIEW

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

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

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

- (a) a fine HK\$100,000 on first conviction;
- (b) a fine of HK\$200,000 on second or subsequent conviction; and
- (c) in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes.

In addition to the Waste Disposal Ordinance, a contractor shall also observe and comply with the subsidiary regulations, including but not limited to, the Waste Disposal (Charges for Disposal of Construction Waste) Regulations (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulations (Chapter 354C of the Laws of Hong Kong).

Pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Pursuant to the Waste Disposal (Chemical Waste) (General) Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered as a chemical waste producer. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

## REGULATORY OVERVIEW

Under section 16 of the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection to use the land or premises for that purpose. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable:

- (a) for the first offence, to a fine of HK\$200,000 and to imprisonment for 6 months;
- (b) for a second or subsequent offence, to a fine of HK\$500,000 and to imprisonment for 6 months; and
- (c) in addition, if the offence is a continuing offence to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Environmental Impact Assessment Ordinance provides for assessing the impact on the environment of certain projects and proposals and for protecting the environment.

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

- (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months;
- (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years;
- (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months;
- (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year;

and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### HISTORY

Our history can be traced back to 1970s, GFE, the first member of our Group, was incorporated in Hong Kong on 1 August 1972 by Mr. Poon Yan Cheong, being the late grandfather of Mr. Ken Poon and Mr. Tommy Poon, and Ms. Au Yeung So Che to provide engineering services in Hong Kong. GFE was registered as fire service installation contractor of classes 1 and 2 under the Fire Service (Installation Contractors) Regulations in June 1979. In addition, it has been an approved supplier and specialist contractor for fire services installations (Group II) with the Development Bureau since August 1992.

GEL has become the other operating subsidiary of the Group, after it was acquired by the Group following the Track Record Period on 3 August 2017. It was incorporated in Hong Kong on 15 May 2000 by Mr. Ken Poon and Ms. Poon Kam Man Margy, being the late elder sister of Mr. Ken Poon and Mr. Tommy Poon to provide engineering services in Hong Kong. GEL was registered as fire service installation contractor of classes 1 and 2 under the Fire Service (Installation Contractors) Regulations in March 2014.

### Milestones

Our Group is an established E&M engineering service provider in Hong Kong, specialising in installation, alteration and addition works and maintenance of fire service systems. For further information in relation to our business, please refer to the section headed “Business” in this prospectus.

The major milestones of our Group’s business since our establishment are set out below:

<b>Year</b>	<b>Event</b>
1972	GFE was incorporated in Hong Kong
1979	GFE was registered as fire service installation contractor of classes 1 and 2
1992	GFE was approved as supplier and specialist contractor for fire services installations (Group II) by the Development Bureau
2000	GEL was incorporated in Hong Kong
2010	GFE was accredited ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certification
2014	GEL was registered as fire service installation contractor of classes 1 and 2

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Corporate history

A brief corporate history of the establishment and changes in the shareholdings of our subsidiaries in Hong Kong up to the Reorganisation is set out below:

- *GFE*

GFE was incorporated in Hong Kong as a limited liability company on 1 August 1972 with an authorised share capital of HK\$1,000,000 divided into 10,000 shares of HK\$100.00 each. Mr. Poon Yan Cheong (who was the late grandfather of Mr. Ken Poon and Mr. Tommy Poon) and Ms. Au Yeung So Che were each allotted and issued one share on the date of incorporation.

After a series of subsequent issues, allotments and transfers of shares, as at 11 September 1991, GFE had a total issued share capital comprising 2,000 shares, of which 1,800 shares were held by Mr. Poon Wah (who was the late father of Mr. Ken Poon, Ms. Odilia Poon and Mr. Tommy Poon), 100 shares were held by Mr. Ken Poon and 100 shares were held by Mr. Tommy Poon.

On 28 February 2005, Mr. Poon Wah transferred 80 shares, 60 shares and 60 shares to Ms. Odilia Poon, Ms. Lee To Yin and Mr. Tong Bill, respectively, at par value of the shares. After the transfers, GFE was owned by Mr. Poon Wah, Mr. Ken Poon, Mr. Tommy Poon, Ms. Odilia Poon, Ms. Lee To Yin and Mr. Tong Bill as to 80%, 5%, 5%, 4%, 3% and 3%, respectively.

Ms. Lee To Yin, who has been an employee of GFE for 35 years and a director of GFE since 2005, planned to develop her personal engineering business in Macau in 2005 involving the pursuit of business opportunities in the field of fire safety services industry in Macau through Guarforce Engineering Consultants Ltd. (“GEC”) of which Ms. Lee became an administrator and a shareholder holding 49% of the interest in GEC since 2005. At the request of Ms. Lee and with a view to supporting her, GFE registered a representative office in Macau on 17 October 2005 to provide clerical support to GEC in handling administrative matters.

There is no legal or practical impediment for the Group to set up its business operation in Macau. The Directors are of the view that the business expansion in Macau may be beneficial to the Group, in particular, in the past years when the demand for construction and engineering services was higher in Macau; however the Group had no intention to expand its business operation to Macau as such expansion would require additional human resources and significant management attention. At that time, the Group would rather focus on Hong Kong where our Directors had established network, and intended to maintain their human resources for the business operation in Hong Kong in order to secure a steady business growth.

As Ms. Lee To Yin has already ceased to be an administrator in GEC and has disposed of all her interest in GEC in January 2017, and that our Group intends to focus on the fire safety service market in Hong Kong and has no intention to carry on any business in Macau, GFE is going to cease to provide any further administrative supports to GEC after the expiry of the defect liability period of the projects undertaken by GEC, which ended on 12 September 2017, and will close and de-register its representative office in Macau thereafter, and hence accordingly will not continue to subcontract installation projects in Macau to GEC. Please also refer to the section headed “Financial information — Description of selected components of combined statements of comprehensive income — Other income and gain” in this prospectus for further details on our representative office in Macau.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Save as disclosed above, GEC and its shareholders, directors, employees and their respective associates have no other past or present relationship, business or otherwise, with the Company, its subsidiaries, their directors, shareholders or any of their respective associates, and other than disclosed in the Prospectus, there is not any other understanding, side agreement, arrangement or undertaking (whether formal or informal) between the parties in relation to GEC, their other businesses or otherwise.

As at the commencement of the Track Record Period on 1 April 2015, Mr. Ken Poon, Mr. Tommy Poon, Ms. Odilia Poon, Ms. Lee To Yin and Mr. Tong Bill held 11,250 shares, 11,250 shares, 1,000 shares, 750 shares and 750 shares in GFE, respectively, representing 45%, 45%, 4%, 3% and 3% of the total issued share capital of GFE, respectively.

On 1 April 2016, each of Mr. Ken Poon and Mr. Tommy Poon transferred 375 shares in GFE to Mr. Ng Kwok Wai at a consideration of HK\$37,500 which was based on the par value of the shares. After the above transfers, GFE was owned as to 43.5% by Mr. Ken Poon, 43.5% by Mr. Tommy Poon, 4% by Ms. Odilia Poon, 3% by Ms. Lee To Yin, 3% by Mr. Tong Bill and 3% by Ng Kwok Wai.

- *GEL*

GEL was incorporated in Hong Kong as a limited liability company on 15 May 2000 with an authorised share capital of HK\$5,000,000 divided into 500,000 shares of HK\$10.00 each. Mr. Ken Poon and Ms. Poon Kam Man Margy (who was the late elder sister of Mr. Ken Poon, Ms. Odilia Poon and Mr. Tommy Poon) were allotted and issued 1,000 shares and 9,000 shares, respectively, on the date of incorporation. On 29 December 2005, Ms. Poon Kam Man Margy transferred all her shares in GEL to Ms. Odilia Poon at nil consideration. After the above transfer, GEL was owned as to 10% by Mr. Ken Poon and 90% by Ms. Odilia Poon.

For details of the financial information of GEL during the Track Record Period, please refer to the accountants' report of GEL set out in Appendix IB to this prospectus. For the discussion and analysis of the financial information of GEL during the Track Record Period, please refer to the paragraphs headed "Financial information of GEL" in the section headed "Financial information" in this prospectus.

### PRE-IPO INVESTMENT

On 10 July 2017, Mr. Tong Bill sold and transferred 750 ordinary shares in Guardian Fire Engineers and Consultants, representing 3% of the total issued share capital in Guardian Fire Engineers and Consultants, to Mr. Ken Poon at a total cash consideration of HK\$1,140,000.

Information of the pre-IPO investment is set out below:

Name of investor	:	Mr. Ken Poon
Number of shares involved	:	An aggregate of 750 ordinary shares in Guardian Fire Engineers and Consultants, representing 3% of the total issued share capital in Guardian Fire Engineers and Consultants

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of transfer	:	10 July 2017
Amount of consideration paid	:	Total cash consideration of HK\$1,140,000
Cost per Share	:	Approximately HK\$0.042
Consideration basis	:	Determined based on arm's length negotiations between the parties with reference to the net asset value of Guardian Fire Engineers and Consultants as at 31 March 2017
Payment date	:	10 July 2017
Discount to the Offer Price of HK\$0.20 (being the mid-point of the Offer Price range stated in this prospectus)	:	Approximately 78.9%
Special right	:	There were no special rights granted to Mr. Ken Poon.

### Public Float

Mr. Ken Poon is also member of the Controlling Shareholders. Accordingly, the Controlling Shareholders are core connected persons of our Company and their interests in our Company will not be counted towards our public float for the purpose of Rule 11.23 of the GEM Listing Rules.

### Lock-up

Each of the members of the Controlling Shareholders, namely Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon, have undertaken to our Company, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that he/it will not, among others, sell or otherwise transfer or dispose of any Shares for a period of 12 months after the Listing Date. Please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings to the Public Offer Underwriters — Undertakings by our Controlling Shareholders" in this prospectus for details.

### Confirmation from the Sponsor

The Sponsor has confirmed that the pre-IPO investment is in compliance with the Stock Exchange's interim guidance on pre-IPO investments (HKEX-GL-29-12) issued on 13 October 2010 and guidance letter HKEX-GL-43-12 issued on 13 October 2012 and updated in July 2013 and March 2017, pursuant to which as the pre-IPO investment was completed within 28 clear days before the date of the first submission of the application for the Listing, the Listing Date is 120 clear days after the completion of the above pre-IPO investment.



## REORGANISATION

We underwent the Reorganisation in contemplation of the Listing through the following major steps:

### 1. Establishment of Success Step, Noble Capital and Legend Advanced

Success Step was incorporated in BVI on 2 June 2017 and is authorised to issue up to a maximum of 50,000 Success Step Shares. One Success Step Share was initially allotted and issued to Mr. Ken Poon at the subscription price of US\$1.00 each on 15 June 2017.

Noble Capital was incorporated in BVI on 9 June 2017 and is authorised to issue up to a maximum of 50,000 Noble Capital Shares. One Noble Capital Share was initially allotted and issued to Mr. Tommy Poon at the subscription price of US\$1.00 each on 19 June 2017.

Legend Advanced was incorporated in BVI on 2 June 2017 and is authorised to issue up to a maximum of 50,000 Legend Advanced Shares. Four, three and three Legend Advanced Shares were initially allotted and issued to Ms. Odilia Poon, Ms. Lee To Yin and Mr. Ng Kwok Wai, respectively, at the subscription price of US\$1.00 each on 20 June 2017.

### 2. Establishment of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 27 June 2017. The initial authorised share capital was HK\$380,000 divided into 38,000,000 Shares and initially one Share was allotted and issued as fully paid at par to Reid Services Limited as the initial subscriber. On 15 July 2017, Reid Services Limited transferred the one subscriber Share to Success Step at par. On the same day, 464 Shares, 435 Shares and 100 Shares were allotted and issued as fully paid at par to Success Step, Noble Capital and Legend Advanced, respectively.

### 3. Establishment of Guardian Team

Guardian Team was incorporated in BVI on 6 June 2017 and is authorised to issue a maximum of 50,000 Guardian Team Shares and initially one Guardian Team Share was allotted and issued to Mr. Ken Poon at the subscription price of US\$1.00 on 4 July 2017. On 15 July 2017, Mr. Ken Poon transferred the one Guardian Team Share to our Company at par.

### 4. Transfer of shares by Mr. Tong Bill to Mr. Ken Poon

On 10 July 2017, Mr. Tong Bill sold and transferred 750 ordinary shares in Guardian Fire Engineers and Consultants, representing 3% of the total issued share capital in Guardian Fire Engineers and Consultants, to Mr. Ken Poon at a total cash consideration of HK\$1,140,000, which was determined based on the net asset value of Guardian Fire Engineers and Consultants as at 31 March 2017. Upon completion of the above sale and transfer of shares by Mr. Tong Bill to Mr. Ken Poon, Mr. Tong Bill ceased to be a shareholder of Guardian Fire Engineers and Consultants and Mr. Ken Poon's shareholding in Guardian Fire Engineers and Consultants was increased from 43.5% to 46.5%. Upon completion of the above sale and transfer, the shareholding of Guardian Fire Engineers and Consultants' shareholders was as follows:

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Shareholders</b>	<b>Percentage of Shareholding</b>
Mr. Ken Poon	46.5%
Mr. Tommy Poon	43.5%
Ms. Lee To Yin	3%
Mr. Ng Kwok Wai	3%
Ms. Odilia Poon	4%
	<hr/>
	100%

### **5. Acquisition of Guardian Fire Engineers and Consultants by Guardian Team**

On 31 August 2017, the GFE Share Sale Agreement was entered into among the GFE Shareholders as the vendors, our Company as the purchaser and Guardian Team pursuant to which the GFE Shareholders agreed to sell, and our Company agreed to purchase, the entire issued share capital, being 25,000 shares in Guardian Fire Engineers and Consultants.

The consideration of the GFE Acquisition was HK\$38,860,000, which was determined based on the audited net asset value of Guardian Fire Engineers and Consultants as at 31 March 2017. Our Company settled the consideration of the GFE Acquisition by allotting and issuing 4,185 Shares, 3,915 Shares and 900 Shares credited as fully paid up, to Success Step, Noble Capital and Legend Advanced, respectively, at the instruction of the GFE Shareholders. At the direction of our Company, the 25,000 shares in GFE were transferred by the vendors to Guardian Team.

Upon completion of the GFE Acquisition, Guardian Fire Engineers and Consultants became a wholly-owned subsidiary of Guardian Team.

### **6. Acquisition of Guardian Engineering by Guardian Team**

GEL was incorporated in 15 May 2000 with Ms. Odilia Poon and Mr. Ken Poon as its shareholders since its incorporation holding 90% and 10% equity interest in GEL, respectively. Both Mr. Ken Poon and Ms. Lee To Yin are directors of GEL and GFE. GEL was initially set up to focus, and has been focusing, on the provision of alteration and addition works of fire service systems and GFE was initially set up to focus, and has been focusing, on the provision of installation, alteration and addition works and maintenance of fire service systems. Given the overall similarity in the businesses of GEL and GFE and for the purpose of the Listing, our Company considers that it is commercially viable to consolidate the businesses of GFE and GEL into our Group for the purpose of the Listing.

On 3 August 2017, the GEL Share Sale Agreement was entered into among Mr. Ken Poon and Ms. Odilia Poon as the vendors and Guardian Team as the purchaser pursuant to which Mr. Ken Poon and Ms. Odilia Poon agreed to sell, and Guardian Team agreed to purchase, the entire issued share capital, being 10,000 shares in Guardian Engineering. The consideration of the GEL Acquisition was HK\$331,000 was determined based on the audited net asset value of Guardian Engineering as at 31 March 2017. Guardian Team settled the consideration of the GEL Acquisition by cash.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the GEL Acquisition, Guardian Engineering became a wholly-owned subsidiary of Guardian Team.

On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital where Legend Advanced agrees and undertakes with Success Step and Noble Capital that with effect from the Listing Date, so long as it remains a beneficial owner of any shares it holds in our Company from time to time and if it proposes to transfer, assign or otherwise dispose of or deal with (the “**Transfer**”) any interest in these shares (the “**Sale Shares**”), whether directly or indirectly, it shall not enter into any agreement or arrangement to effect the Transfer unless it first offers the sale of the Sale Shares to Success Step and Noble Capital. Each of Success Step and Noble Capital is entitled, but not obliged, to purchase all or part of the Sale Shares. The above undertaking shall not apply where Legend Advanced is obliged to effect the Transfer pursuant to a takeover offer of the Company implemented pursuant to a scheme of arrangement sanctioned by relevant court(s) or in accordance with a compulsory acquisition.

The Deed of Undertaking sets out detailed terms, among others, relating to the offer and transfer procedures, the offer period, the proportion of the Sale Shares which each of Success Step and Noble Capital is entitled to purchase and the sale price (which shall be agreed among Legend Advanced, Success Step and Noble Capital, failing which the sale price shall be the closing price of the Sale Shares on the last trading day immediately before to the earlier of the date of the agreement in respect of the sale and purchase of, or transfer of, the Sale Shares).

### **7. Establishment of the Alderhill Trust**

On 17 November 2017, the Alderhill Trust was established as a discretionary trust pursuant to which Mr. Tommy Poon as the settlor transferred all his shareholding in Noble Capital to Trust Holding Company on 25 January 2018. Trust Holding Company was incorporated in Samoa on 29 June 2017 and is a wholly-owned subsidiary of the Alderhill Trust of which Unity Trust is a trustee.

The beneficiaries of the Alderhill Trust include Mr. Tommy Poon and his family members.

### **8. Increase in authorised share capital of our Company**

On 24 January 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$38,000,000 divided into 3,800,000,000 Shares by the creation of an additional 3,762,000,000 new Shares.

### **9. Capitalisation Issue**

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited with the proceeds of the Share Offer, an appropriate sum will be capitalised and applied in paying up in full such number of shares of our Company to be allotted and issued to the shareholders whose names are on the register of members or the principal share register of our Company prior to the Share Offer so that the aggregate number of Shares so allotted and issued will constitute not more than approximately 75% of the issued share capital of our Company. The GFE Shareholders will, in aggregate, be holding approximately 75% interests in our Company upon completion of the Share Offer.

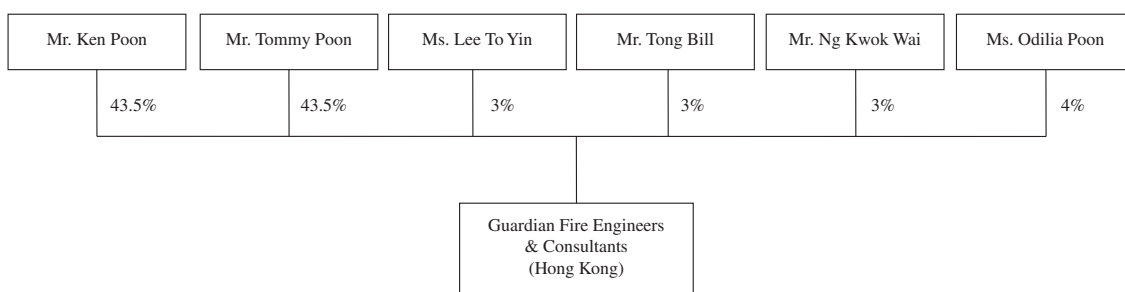
# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## 10. Share Offer

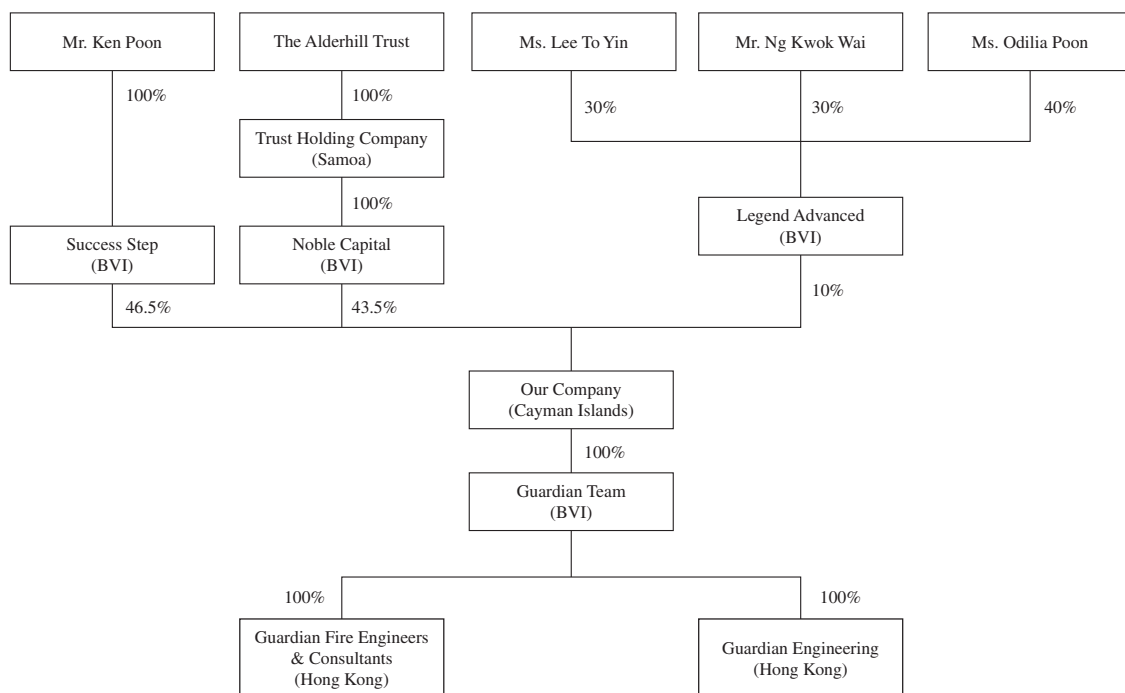
A total of 300,000,000 Offer Shares, comprising 30,000,000 Public Offer Shares and 270,000,000 Placing Shares, will be offered for subscription/purchase by way of Share Offer, representing approximately 25% of the enlarged issued share capital of our Company upon Listing.

## CORPORATE STRUCTURE

The chart below sets out the corporate structure of our Group prior to the commencement of the Reorganisation:

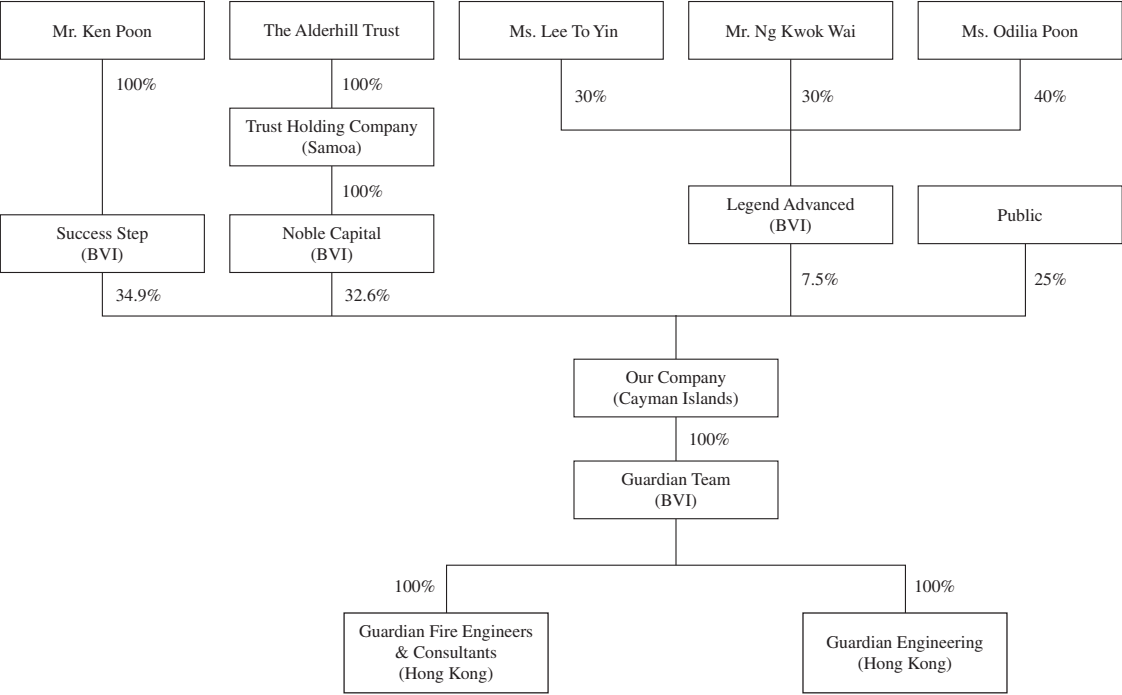


The chart below sets out the corporate structure of our Group immediately following the completion of the above step 1 to step 8:



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The chart below sets out the corporate structure of our Group immediately following the completion of the Capitalisation Issue and Share Offer:



## **OVERVIEW**

We are an established E&M engineering service provider in Hong Kong, specialising in installation, alteration and addition works and maintenance of fire service systems. Fire service systems mainly consist of automatic fire alarm systems, sprinkler systems, manual fire alarm systems, fire hydrant and hose reel systems, drencher systems, water spray systems, foam systems, non-contaminating gas extinguishing systems, emergency lighting systems, audio visual systems and portable fire appliances. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

During the Track Record Period, we had undertaken 30 installation projects, 2,838 alteration and addition works projects and 899 maintenance projects in Hong Kong, 19 of which were sizeable projects with each contract sum over HK\$10 million. As at the Latest Practicable Date, we had 16 installation projects, nil alteration and addition works projects and nil maintenance projects, with each contract sum over HK\$10 million, in progress, with an estimated total outstanding contract value of approximately HK\$241.9 million.

We have obtained full set of electrical and mechanical licences and qualifications necessary for our operations, including among others:

- Registered Fire Services Installation Contractors (Class 1 and Class 2);
- Registered Electrical Contractor;
- Registered Specialist Contractor (Sub-register of Ventilation Works Category); and
- Approved Suppliers of Materials and Specialist Contractors for Public Works – Fire Services Installation (Group II).

For a complete list of our qualifications and licences, please refer to the paragraph headed “Licences and qualifications” in this section.

During the Track Record Period, our clientele comprise customers from both the private and public sectors. Our customers in the private sector mainly include property developers, property owners, main contractors which are engaged by property developers whereas our customers in the public sector are mainly Government departments such as the Housing Authority and the Electrical and Mechanical Services Department.

We acquired GEL from Mr. Ken Poon and Ms. Odilia Poon on 3 August 2017. Due to the different ownership structure of GEL before the acquisition, the financial results of GEL were not consolidated into the financial results of the Group during the Track Record Period. The revenue of GEL is also mainly derived from providing installation, alteration and addition works, and maintenance services of E&M engineering system to our customers in Hong Kong during the Track Record Period. However, GEL undertakes more alteration and addition works and maintenance services than installation works. Please refer to the section headed “History, reorganisation and corporate structure” for the details of the acquisition of GEL.

## BUSINESS

During the Track Record Period, we have maintained a representative office in Macau. Please refer to the sections headed “History, reorganisation and corporate structure — History — Corporate history — GFE” and “Financial information — Description of selected components of combined statements of comprehensive income — Other income and gain” for further details.

### COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date:

#### **Established fire service systems provider and active industry player**

We have been registered in fire service installation contractor in classes 1 and 2 under the Fire Services (Installation Contractors) Regulations since 1979. During the Track Record Period, we had undertaken 30 installation projects, 2,838 alteration and addition works projects and 899 maintenance projects for customers both in the private and public sectors. Our Group has accumulated vast experience through the projects undertaken over the years. In view of our proven track record, our Directors consider that we are an established fire service systems provider in Hong Kong.

In addition, we have obtained full set of electrical and mechanical licences and qualifications necessary for our operations. We believe we can further leverage on our qualifications and portfolio to tender for more works, as our ability to provide comprehensive service to our customers give us the competitive edge. Please refer to the paragraph headed “Licences and qualifications” in this section for further details. In addition, we have obtained certifications such as ISO 9001, ISO 14001, OHSAS 18001 and received various performance awards from our customers over the years. Please refer to the paragraph headed “Certifications and awards” in this section for further details. These certifications and awards demonstrate that we are well-recognised by our customers on our quality performances.

#### **Established customer base**

Our Directors believe that we have established a strong customer network in Hong Kong. We provide services to both private and public sector customers, including property developers and main contractors in Hong Kong, and Government departments such as the Housing Authority and the Electrical and Mechanical Services Department.

As at the Latest Practicable Date, our business relationships with our five largest customers ranged from approximately 2 years to 20 years. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, we served approximately 889 customers, with revenue generated from our largest customer accounting for approximately 15.7%, 21.5% and 14.3% respectively, of our total revenue.

We believe that we have built up excellent reputation in the industry with a proven track record of delivering our services on time and to the satisfaction of our customers. Because of our strong customer relationships and reputation, we have been invited to tender or appointed directly as the nominated contractor in new projects of both our existing customers and new customers. In addition, our customers have also engaged us in subsequent maintenance works after we have completed the installation services for them.

## BUSINESS

### **Stable and experienced management and engineering teams**

Our Group is led by a team of dedicated management personnel with substantial experience in the E&M engineering industry specialising in fire safety services. Our management team is led by Mr. Ken Poon, our chief executive officer and Executive Director, who has over 29 years of experience in the fire safety services industry. Mr. Tommy Poon, our Executive Director and technical director, has more than 25 years of experience in the fire safety services industry. Mr. Ng Kwok Wai, our Executive Director and installation project manager, has more than 20 years of experience in the fire service industry in particular. For the experience and qualifications of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus. In addition, our Group has 32 engineering staff in our installation project teams as at the Latest Practicable Date. Our management team and engineering staff have extensive industry and technical knowledge in E&M engineering works and possess relevant professional qualifications as required for the engineering works and have well-developed practical skills and experience. As at the Latest Practicable Date, our Directors, our project managers and most of our engineering staff possess the relevant engineering licenses and/or academic qualifications to supervise all works in our operations.

We believe that our experienced management team possesses the core skills and experience to formulate detailed and well-planned work processes and provide quality services to our customers.

### **Established relationship with our suppliers and subcontractors**

As at the Latest Practicable Date, we have established business relationship with our five largest suppliers for a period ranging from around 3 to 11 years and with our five largest subcontractors for a period ranging from around 1 to 14 years. For details of our five largest suppliers and subcontractors, please refer to the paragraphs headed “Suppliers” and “Outsourcing” respectively in this section.

Our Directors believe that our well-established relationship with suppliers and subcontractors enables us to secure stable source of supply for materials, equipment and labour and also to have their continuous support in our business operations, therefore reducing the risk of shortage or delay in delivery of materials or services causing material disruption to our works. This in turn enables us to provide our customers with timely and quality services.

## **BUSINESS STRATEGIES**

Our goal is to achieve sustainable growth in our business by further enhancing our performance as one of the leading E&M engineering service providers focusing on fire service systems in Hong Kong. We plan to expand our business and strengthen our market position in Hong Kong by pursuing the business strategies set out below:

### **Expand our fire service system installation and maintenance business and services**

We plan to strengthen our market position in the fire safety services industry in Hong Kong by expanding our capacity in providing installation and maintenance services for fire service systems.



## BUSINESS

According to the F&S Report, it is expected that the total revenue of the Hong Kong fire safety services industry will reach approximately HK\$24.9 billion in 2021, with a CAGR of 12.2% from 2016 to 2021. The revenue of installation services is expected to reach HK\$11.0 billion in 2021, with a CAGR of 13.5% from 2016 to 2021. The revenue of maintenance services is also expected to reach HK\$6.9 billion in 2021, with a CAGR of 13.4% from 2016 to 2021. In view of the anticipated increasing demand for installation and maintenance services of fire service systems, we aim to increase our capacity to tender more works.

We plan to achieve our business expansion as follows:

- (i) apply approximately HK\$11.0 million of the net proceeds from the Share Offer on providing performance bonds only for three coming pipeline projects in Kwun Tong, Shau Kei Wan and Tai Po, two of which have already been awarded as at the Latest Practicable Date;
- (ii) apply approximately HK\$2.7 million of the net proceeds from the Share Offer on paying materials and subcontracting fees during preliminary stage of project execution for the newly awarded sizeable installation projects; and
- (iii) apply approximately HK\$5.9 million of the net proceeds from the Share Offer on expanding our manpower from the existing four engineering teams to six engineering teams, which includes recruiting a total of ten staff – two project managers, two assistant engineering staff and four technicians for project execution, one administration clerk for administration work and one safety officer for safety supervision.

### *Provision of Performance Bond*

The amount of approximately HK\$11.0 million reserved for providing performance bond, will be specifically allocated for the period from the Latest Practicable Date until 30 September 2018 only for three coming pipeline projects in Kwun Tong, Shau Kei Wan and Tai Po, with a total contract sum of approximately HK\$156.9 million. As at the Latest Practicable Date, the first two of the aforesaid pipeline projects with a total contract sum of approximately HK\$80.3 million have been awarded, while the remaining one in Tai Po with contract sum of approximately HK\$76.6 million is still in the tendering process.

The amount of funds reserved by our Group for the provision of each performance bond is determined by the amount of collateral, provided in the form of pledged deposit, required by the banks or approved financial institutions. The amount of collateral required is determined by the value of the performance bond, which is in turn determined by the value of the contract under which performance bond is required. Performance bonds are generally required on projects with sizeable contract sum. As set out in each of the form of tender for the above projects, the Group must undertake to obtain a performance bond equivalent to 10% of the contract sum at the tender issuer's sole request. For further details, please refer to the paragraph headed "Business — Business operations — Our operations for installation/alteration and addition works projects — Completion — Performance bonds and liquidated damages" in this section.

## BUSINESS

The approximately HK\$11.0 million we intend to reserve only for the three pipeline projects in Kwun Tong, Shau Kei Wan and Tai Po represents approximately 7.0% of their contract sum in the form of pledged deposit as collateral to the performance bonds, which is consistent with our experience during the Track Record Period.

In the event that the approximately HK\$11.0 million specifically allocated for the period from the Latest Practicable Date until 30 September 2018 only for the said three coming pipeline projects is insufficient, our Group will internally finance the shortfall. If the remaining pipeline project is not awarded or performance bond is not required upon negotiation, funds reserved will be allocated to other upcoming projects.

### *Recruitment of Additional Staff*

The project team required to complete a sizeable installation project during the Track Record Period generally comprised five to six members which include a project manager, one to two project engineers and two assistant engineers, and was supported by an administrative clerk who handled clerical works. Approximately HK\$5.9 million is allocated to 10 additional staff for fire service system installation and maintenance business and services. The amount of HK\$5.9 million represents the estimated salaries for two engineering teams, each with 5 headcounts and same team composition, for 22 months, at a monthly total of HK\$135,000 per team, as follows:

	<i>HK\$</i>
Project manager	50,000
Assistant engineer	30,000
Technician	20,000
Technician	20,000
Administrative clerk	<u>15,000</u>
Total	<u><u>135,000</u></u>

In determining the above salary cost, our Group has considered (i) the salaries of existing staff; and (ii) a range of salaries indicated by market benchmarks of the workers possessing the required qualification and experience to fulfil the job duties.

In order to achieve a growth of our new installation business stream in the coming years, the Directors believe that recruitment of additional staff is crucial as direct labour is still a significant component to our business. Our Group intends to recruit additional staff rather than relying on existing project teams of GEL because:

- (1) GEL has its own client base for alteration and addition projects and maintenance. The current GEL teams still have to execute its alteration and addition projects and maintenance works from its existing clientele and the Directors consider the GEL teams would not have spare capacity to be involved in the upcoming sizeable installation projects undertaken or to be undertaken by GFE.

## BUSINESS

- (2) Even though there is overall similarity in the businesses of GEL and GFE, the expertise and experience of the project teams of GEL and GFE are still different as follows:
- (i) Project teams of GEL do not have the comparable experience in installation projects. GEL undertook only one installation project (with contract sum of HK\$30.4 million) and recognised only revenue of approximately HK\$5.6 million from this project during the year ended 31 March 2016 in the Track Record Period; while GFE undertook 30 installation projects and recognised a total revenue of approximately HK\$246.9 million during the Track Record Period; and
  - (ii) Project teams of GEL do not have the required project management expertise to handle installation projects. The alteration and addition projects and maintenance projects undertaken by GEL had a project period of generally around three months; while the sizeable installation projects undertaken by GFE had a project period ranging from approximately two to four years.

As such, although the current project teams of GEL are experienced in the alteration and addition projects and maintenance projects, their experience in undertaking installation projects, which require different skillset is not comparable with the project teams of GFE. Accordingly, the project teams of GFE and GEL are not replaceable by each other, and the additional manpower required to capture the potential growth in the industry as well as maintain the quality of services cannot be simply satisfied by the addition of the project teams of GEL.

Compared to the Group's estimated average monthly cash outflow for daily operation of HK\$10.7 million during the Track Record Period, these additional staff cost do not create a burden to the Group's cashflow.

### **Expand our business for building management systems and automatic fire alarm systems**

According to the F&S Report, there is a growing demand for the installation of building management systems and/or automatic fire alarm systems in new buildings. New buildings tend to have building management systems installed to manage and monitor the energy efficiency and energy performance of the buildings. There is also a growing trend of upgrade/installation of building management systems in existing buildings and, in order to meet the current fire safety regulations, a growing trend of upgrade/installation of automatic fire alarm systems in existing buildings.

In view of the growing trend, we plan to expand our business to become a service provider for the installation and maintenance of building management systems and automatic fire alarm systems by obtaining the dealership qualifications of such systems and to perform the relevant services by our in-house staff. During the Track Record Period, we had engaged authorised dealers to perform the installation and maintenance services of the automatic fire alarm systems. As they are the only authorised dealers to install and modify the relevant systems and system software, they could charge us at a high rate for their services.

## BUSINESS

Our Directors consider that such expansion of our business would (i) enable us not to rely heavily on external service providers for building management/automatic fire alarm systems; (ii) lower the material cost in budgeting relevant projects; (iii) allow us to have direct control of timely completion and quality of our relevant projects; and (iv) eventually, increase our overall competitiveness, revenue and profitability.

We plan to apply approximately HK\$2.0 million of the net proceeds from the Share Offer on forming a new project team for building management/automatic fire alarm system project execution, which includes recruiting a project manager, an assistant engineering staff and a technician and also arranging trainings and examinations for these new hires.

The approximately HK\$2.0 million of the net proceed is allocated to 3 additional staff for building management systems and automatic fire alarm systems. This represents salaries for a team of three headcounts for 22 months, at a combined monthly total of HK\$89,000 as detailed below:

	<i>HK\$</i>
Project manager	45,000
Assistant engineer	24,000
Technician	<u>20,000</u>
 Monthly Total	 <u><u>89,000</u></u>

In determining the above salary cost, our Group has considered a range of salaries indicated by market benchmarks of the workers possessing the required qualification and experience to fulfil the job duties. Similarly, these additional staff cost are insignificant compared to the Group's average monthly cash outflow for daily operation.

### **Streamline our fire service installation process**

Tailored cutting of ancillary raw materials to the relevant wet fire service systems, such as water pipes into the desired measurements, is part of the tedious preparation procedures for installation of wet fire service systems onsite, and is the current market practice in Hong Kong. Moreover, as the cuttings are carried out after the materials are delivered onsite, it takes longer time to install the wet fire service system in such manner as compared to installing the system with pre-fabricated materials which have been cut into desired measurements offsite. Using pre-fabricated materials does not only promote the efficiency of the installation and but also saves labour costs, and reduces wastage of raw materials. It would also be much more preferable for customers if such process could be done offsite, because it could provide tidier worksite, considering that the process requires large scale machinery with high powered electricity sockets, and produces cutting residue. During the Track Record Period, some of our potential customers specified that an offsite pre-fabrication piping workshop would be one of the conditions for the tender.

During the Track Record Period, we engaged subcontractors to perform such works onsite. To expedite the installation process and reduce labour costs, we plan to establish a central pre-fabrication piping workshop to streamline our fire service installation process, which may be a requirement for tendering some large-scale projects.

## BUSINESS

We plan to use approximately HK\$7.6 million of the net proceeds from the Share Offer to set up a pre-fabrication piping workshop and operate the workshop for 18 months, which includes (i) approximately HK\$2.7 million for renting a workshop and engaging professionals to design the workshop layout; (ii) approximately HK\$2.9 million for recruiting eight technicians to operate the workshop; (iii) approximately HK\$1.8 million for purchasing four cutting machines and one truck; and (iv) approximately HK\$0.2 million for leasehold improvement, fixtures and furniture of our workshop.

Capital expenditure required to set up the pre-fabrication piping workshop is detailed below:

	<i>HK\$ million</i>
Motor vehicle	1.2
Machineries	0.6
Leasehold improvement	0.1
Furniture	0.1
	<hr/>
Total	2.0
	<hr/> <hr/>

The above capital assets are depreciated over a useful live of four years. Incremental depreciation charges to be incurred will be approximately HK\$0.5 million per year.

With the setup above, our Group considers that the pre-fabrication workshop may replace substantial amount of pipe preparation and alteration works currently performed by our subcontractors. The Directors estimate that, based on the materials and services costs for wet fire service systems billed by the subcontractors during the year ended 31 March 2017, the cost to be incurred for the work described for 12 months would amount to approximately HK\$4.8 million to HK\$5.7 million. In the first 12 months after the establishment of the pre-fabrication piping workshop, after taking into account the operating costs of approximately HK\$4.0 million (comprising rental, salaries and depreciation expenses), the net savings are estimated to range from approximately HK\$0.8 million to HK\$1.7 million, representing an improvement in gross profit margin ranging from 0.5% to 1.1% when compared to the gross profit margin of 16.0% for the year ended 31 March 2017. As such, the Directors consider the setup of pre-fabrication workshop to be technically and financially feasible and are committed to implement the project.

### **Further enhance our quality project planning, management and implementation**

We target to further enhance our quality project planning, management and implementation by purchasing a 3D design system and an ERP system. We believe that our ability to maintain and enhance our services at a high standard would improve customer satisfaction and in turn enhance our capability to compete with other industry peers in the future.

## BUSINESS

To enhance our capability and efficiency of project management and overall management, we plan to use approximately HK\$4.7 million of the net proceeds to purchase a 3D design system supported with design drawing software and an ERP system supported with project management software relating to construction engineering, project planning and budgeting, raw materials planning, costs planning, and recording and tracing of status of projects. The new computer systems will facilitate reporting to customer and overall monitoring of projects as well as financial reporting.

For further details in relation to our use of net proceeds from the Share Offer to implement our plans to realise our strategies above, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

### BUSINESS MODEL AND SERVICES

Our Group’s revenue is mainly derived from providing installation, alteration and addition works, and maintenance services of E&M engineering systems to our customers in Hong Kong during the Track Record Period. The following table sets forth a breakdown of our revenue by service types during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	Revenue	sales	Revenue	sales	Revenue	sales	Revenue	sales
	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%
Installation	79,622	64.8	116,224	72.1	24,297	60.1	51,101	76.3
Alteration and addition works	38,810	31.6	40,554	25.2	14,965	37.0	14,532	21.7
Maintenance	4,417	3.6	4,389	2.7	1,167	2.9	1,375	2.0
<b>Total</b>	<b>122,849</b>	<b>100</b>	<b>161,167</b>	<b>100</b>	<b>40,429</b>	<b>100</b>	<b>67,008</b>	<b>100</b>

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

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%
Private sector	117,730	95.8	152,343	94.5	38,956	96.4	65,061	97.1
Public sector	5,119	4.2	8,824	5.5	1,473	3.6	1,947	2.9
<b>Total</b>	<b>122,849</b>	<b>100</b>	<b>161,167</b>	<b>100</b>	<b>40,429</b>	<b>100</b>	<b>67,008</b>	<b>100</b>

### **Installation services**

Our installation services include system design and installation of fire service systems. These installation services are generally carried out on a project basis on construction sites where we are engaged to provide fire service installation services under a contract.

Our fire service installation services cover system design, supply and installation of fire prevention, fire detection and fire suppression and extinguishing systems which include, among other things, automatic fire alarm systems, sprinkler systems, manual fire alarm systems, fire hydrant and hose reel systems, drencher systems, water spray systems, foam systems, non-contaminating gas extinguishing systems, emergency lighting systems, audio visual systems and portable fire appliances.

### **Alteration and addition works**

In addition to new installation services, we also carry out alteration and addition works on existing fire service systems. These works are generally carried out on a project basis where we are engaged to provide alteration and addition works under a contract. The alteration and additional works we are required to carry out on existing systems generally include:

- the upgrade or replacement of fire safety systems of aging buildings;
- when the building usages have changed (e.g due to the urban renewal effort), the re-installation of fire safety systems of such buildings to comply with relevant regulations;
- when there is renovation or retrofitting of a building, the installation or re-installation of the fire safety system (if required); and
- when there is an imposition of more stringent fire safety regulations and/or an increased awareness of fire safety on the part of property owners, the required upgrade or replacement of fire safety system.

### **Maintenance services**

According to the Fire Services (Installation and Equipment) Regulations, fire safety systems are required to be inspected at least once every year. We are a registered fire service installation contractor and able to provide inspection services for fire safety systems in existing buildings. Generally, our maintenance services include inspection, testing and/or repairing on these systems. One example is to conduct regular testing on fire service systems of our customers to ensure they work properly and issue Certificate of Fire Service Installations and Equipment by us to Fire Services Department once satisfied.

If we notice any defects during our inspection, we will give our customers a quote for repair works. Once our quote is accepted, we will assign our staff and/or subcontractors to carry out the repair works.

# BUSINESS

## PROJECTS

### Number of projects during the Track Record Period

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

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
<b>Opening number of projects</b> <i>(note 1)</i>			
– Installation projects	10	17	20
– Alteration and addition works projects	8	10	17
– Maintenance projects	19	7	26
<b>Number of new projects</b> <i>(note 2)</i>			
– Installation projects	11	9	–
– Alteration and addition works projects	1,143	1,180	507
– Maintenance projects	322	406	152
<b>Number of completed projects</b> <i>(note 3)</i>			
– Installation projects	4	6	1
– Alteration and addition works projects	1,141	1,173	501
– Maintenance projects	334	387	138
<b>Ending number of projects</b> <i>(note 4)</i>			
– Installation projects	17	20	19
– Alteration and addition works projects	10	17	23
– Maintenance projects	7	26	40

*Notes:*

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



## BUSINESS

The following table sets out the movement of our projects in respect of revenue during the Track Record Period:

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Opening value of ongoing projects</b>			
– Installation projects	82,520	155,724	280,114
– Alteration and addition works projects	5,892	9,937	9,727
– Maintenance projects	251	2	19
<b>Contract sum of new projects</b> <i>(note 1)</i>			
– Installation projects	152,826	240,614	–
– Alteration and addition works projects	42,855	40,344	15,482
– Maintenance projects	4,168	4,406	1,559
<b>Revenue recognised</b>			
– Installation projects	79,622	116,224	51,101
– Alteration and addition works projects	38,810	40,554	14,532
– Maintenance projects	4,417	4,389	1,375
<b>Ending value of ongoing projects</b> <i>(note 2)</i>			
– Installation projects	155,724	280,114	229,013
– Alteration and addition works projects	9,937	9,727	10,677
– Maintenance projects	2	19	203

*Notes:*

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

## BUSINESS

### Completed projects

The following table sets forth the information of our sizable projects with recognised revenue over HK\$10 million that were completed or the contract terms of which had expired during the Track Record Period:

Particulars and location	Type of works	Project period <i>year/month</i>	Contract sum <i>(note 1)</i> <i>HK\$'000</i>	For the year ended 31 March		For the four months ended 31 July	Total revenue recognised during the Track Record Period
				2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	<i>HK\$'000</i>
M.L.52 S.K. & Extension, No. 12 Cannon Street & No. 531 Jaffe Road, Hong Kong Island	Installation of fire service system	2014/01 – 2015/11	16,215	10,179	–	–	10,179
Block E & Block D, Baptist Hospital, Kowloon	Installation of fire service system and A & A work	2013/01 – 2016/07	12,764	3,900	–	–	3,900
Block B, St. Paul's Hospital, Hong Kong Island	Installation of fire service system	2012/10 – 2016/09	61,100	18,227	2,551	–	20,778
NKIL 6493, Inverness Road, Kowloon Tong, Kowloon	Installation of fire service system	2014/05 – 2016/06	10,945	9,180	1,019	–	10,199
TKOTL 117, Tseung Kwan O, New Territories	Installation of fire service system	2014/04 – 2016/10	21,664	18,263	2,956	–	21,219

*Note:*

- Contract sum represents the contract sum stated in the original tender documents or contract and as adjusted by variation orders.

## BUSINESS

The following table sets out the breakdown of the completed installation, alteration and addition works and maintenance projects during the Track Record Period by range of contract value:

No. of installation projects	Year ended 31 March				Four months ended 31 July 2017	
	2016		2017		Number of projects	Aggregate contract sum <i>HK\$'000</i>
	Number of projects	Aggregate contract sum <i>HK\$'000</i>	Number of projects	Aggregate contract sum <i>HK\$'000</i>		
HK\$10,000,000 or above	2	28,979	3	93,709	–	–
Below HK\$10,000,000	2	6,600	3	19,723	1	3,160
<b>Total</b>	<b>4</b>	<b>35,579</b>	<b>6</b>	<b>113,432</b>	<b>1</b>	<b>3,160</b>

No. of alteration and addition works projects	Year ended 31 March				Four months ended 31 July 2017	
	2016		2017		Number of projects	Aggregate contract sum <i>HK\$'000</i>
	Number of projects	Aggregate contract sum <i>HK\$'000</i>	Number of projects	Aggregate contract sum <i>HK\$'000</i>		
HK\$1,000,000 or above	7	10,753	8	15,848	2	3,130
Below HK\$1,000,000	1,134	24,537	1,165	19,151	499	8,141
<b>Total</b>	<b>1,141</b>	<b>35,290</b>	<b>1,173</b>	<b>34,999</b>	<b>501</b>	<b>11,271</b>

No. of maintenance projects	Year ended 31 March				Four months ended 31 July 2017	
	2016		2017		Number of projects	Aggregate contract sum <i>HK\$'000</i>
	Number of projects	Aggregate contract sum <i>HK\$'000</i>	Number of projects	Aggregate contract sum <i>HK\$'000</i>		
HK\$13,000 or above	14	840	10	480	4	96
Below HK\$13,000	320	3,576	377	3,851	134	1,096
<b>Total</b>	<b>334</b>	<b>4,416</b>	<b>387</b>	<b>4,331</b>	<b>138</b>	<b>1,192</b>

## BUSINESS

### Projects in progress

The following table sets forth the information of our sizable projects with each contract sum over HK\$10 million that were awarded to us and remained in progress as at the Latest Practicable Date:

Particulars and location	Type of works	Project period (note 1) year/month	Contract sum (note 2) HK\$'000	For the year ended		For the four months ended 31 July 2017 HK\$'000	Total revenue recognised during the Track Record Period HK\$'000	Revenue to be recognised for the year ending	
				31 March 2016 HK\$'000	2017 HK\$'000			31 March 2018 HK\$'000	2019 HK\$'000
IL 8920, Oil Street, North Point, Hong Kong Island	Installation of fire service system	2016/07 – 2019/03	101,199	–	2,681	7,413	10,094	37,839	60,679
Fanling Golf Club, Fanling, New Territories	Installation of fire service system	2016/10 – 2019/01	33,430	–	706	1,743	2,449	14,874	17,850
NKIL 6541, Area 1H, Site 3 Kai Tak, Kowloon	Installation of fire service system	2016/04 – 2018/12	24,980	–	1,012	2,936	3,948	12,275	11,693
Kai Tak Site 1G1(B), Kowloon	Installation of fire service system	2016/04 – 2018/12	22,375	–	1,513	802	2,315	3,781	17,081
Sheung Lok Street, Homantin, Kowloon	Installation of fire service system	2016/04 – 2019/03	20,702	–	698	574	1,272	5,701	14,303

## BUSINESS

Particulars and location	Type of works	Project period (note 1) year/month	Contract sum (note 2) HK\$'000	For the year ended		For the	Total	Revenue to be recognised	
				31 March 2016 HK\$'000	31 March 2017 HK\$'000	four months ended 31 July 2017 HK\$'000	revenue during the Track Record Period HK\$'000	for the year ending 31 March 2018 HK\$'000	2019 HK\$'000
TMTL 508, Junction of Tsun Wen Road and Leung Tak Street, Area 2, Tuen Mun, New Territories	Installation of fire service system	2015/11 – 2018/03	11,890	355	2,058	2,007	4,420	9,477	–
55-57 Wing Hong Street, Kowloon	Installation of fire service system	2016/12 – 2018/09	11,194	–	–	20	20	7,161	4,033
650 Cheung Sha Wan Road, Kowloon	Installation of fire service system	2015/08 – 2017/11	12,779	–	4,689	6,104	10,793	8,090	–
FSSTL 255, Junction of Luen Hing Street, Wo Fung Street and Luen Shing Street, Fanling, New Territories	Installation of fire service system	2016/07 – 2018/07	10,500	–	636	855	1,491	5,821	4,043
STTL 565, Area 56A, Kau To, Sha Tin, New Territories	Installation of fire service system	2015/11 – 2017/10	16,016	323	13,933	1,760	16,016	1,760	–
STTL 567, Area 56A, Kau To, Sha Tin, New Territories	Installation of fire service system	2015/11 – 2017/11	25,350	884	13,001	9,373	23,258	11,465	–
TMTL 427, So Kwun Wat Road, Tuen Mun, New Territories	Installation of fire service system	2015/07 – 2017/08	15,267	1,042	11,633	1,764	14,439	2,592	–

## BUSINESS

Particulars and location	Type of works	Project period (note 1) year/month	Contract sum (note 2) HK\$'000	For the year ended		For the	Total	Revenue to be recognised	
				31 March 2016 HK\$'000	31 March 2017 HK\$'000	four months ended 31 July 2017 HK\$'000	revenue during the Track Record Period HK\$'000	for the year ending 31 March 2018 HK\$'000	2019 HK\$'000
KIL 11228, 1 Sheung Foo Street, Homantin, Kowloon	Installation of fire service system	2015/06 – 2017/10	10,645	1,275	7,057	2,219	10,551	2,313	–
TKOTL 122, Wan Po Road, Tseung Kwan O, New Territories	Installation of fire service system	2015/04 – 2017/11	39,159	2,255	34,745	2,159	39,159	2,159	–
NKIL 6514, Kwun Tong Town Centre, Development Areas 2 & 3, Kowloon	Installation of fire service system	2017/08 – 2019/08	47,780	–	–	–	–	1,000	30,666
SIL 778, 3 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong Island	Installation of fire service system	2017/11 – 2021/03	32,555	–	–	–	–	–	18,349
Total			435,821	6,134	94,362	39,729	140,225	126,308	178,697

*Notes:*

1. Project period is the period from the date of the letter of award to the expected date of completion, which is subject to variation.
2. Contract sum represents the contract sum stated in the original tender documents or contract and as adjusted by variation orders.

<b>BUSINESS</b>
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The following table sets out the breakdown of the installation, alteration and addition works and maintenance projects in progress as at the Latest Practicable Date by range of contract value:

<b>No. of installation projects</b>	<b>As at the Latest Practicable Date Number of projects</b>	<b>Aggregate contract sum <i>HK\$'000</i></b>
HK\$10,000,000 or above	16	435,821
Below HK\$10,000,000	<u>5</u>	<u>40,284</u>
Total	<u><u>21</u></u>	<u><u>476,105</u></u>
<b>No. of alteration and addition works projects</b>	<b>As at the Latest Practicable Date Number of projects</b>	<b>Aggregate contract sum <i>HK\$'000</i></b>
HK\$1,000,000 or above	3	4,389
Below HK\$1,000,000	<u>20</u>	<u>9,551</u>
Total	<u><u>23</u></u>	<u><u>13,940</u></u>
<b>No. of maintenance projects</b>	<b>As at the Latest Practicable Date Number of projects</b>	<b>Aggregate contract sum <i>HK\$'000</i></b>
HK\$13,000 or above	2	37
Below HK\$13,000	<u>38</u>	<u>349</u>
Total	<u><u>40</u></u>	<u><u>386</u></u>

## BUSINESS

### BUSINESS MODEL, SERVICES AND PROJECTS OF GEL

We acquired GEL from Mr. Ken Poon and Ms. Odilia Poon on 3 August 2017. Please refer to the section headed “History, reorganisation and corporate structure” in this prospectus for the details of the acquisition of GEL. Due to the different ownership structure of GEL before the acquisition, the financial results of GEL were not consolidated into the financial results of the Group during the Track Record Period. The revenue of GEL is also mainly derived from providing installation, alteration and addition works, and maintenance services of E&M engineering system to GEL’s customers in Hong Kong during the Track Record Period. GEL focuses more on alteration and addition works and maintenance services than installation works. The following table sets forth a breakdown of the revenue of GEL by service types during the Track Record Period:

Service types	Year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %
Installation	5,559	10.6	-	-	-	-	-	-
Alteration and addition works	43,819	83.3	49,145	93.1	17,785	92.9	17,357	90.4
Maintenance	3,196	6.1	3,638	6.9	1,367	7.1	1,849	9.6
<b>Total</b>	<b>52,574</b>	<b>100.0</b>	<b>52,783</b>	<b>100.0</b>	<b>19,152</b>	<b>100.0</b>	<b>19,206</b>	<b>100.0</b>

Assuming GEL had been acquired by us on the first day of the relevant period, on a pro forma basis, our total revenue would have amounted to HK\$207.1 million for the year ended 31 March 2017 and HK\$84.4 million for the four months ended 31 July 2017. Please refer to Appendix IIA to this prospectus for details on the unaudited pro forma financial information of the enlarged Group resulting from the GEL Acquisition.

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

	For the year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %
Private Sector	52,574	100.0	52,783	100.0	19,152	100.0	19,206	100.0
Public Sector	-	-	-	-	-	-	-	-
<b>Total</b>	<b>52,574</b>	<b>100.0</b>	<b>52,783</b>	<b>100.0</b>	<b>19,152</b>	<b>100.0</b>	<b>19,206</b>	<b>100.0</b>



## BUSINESS

The following table sets out the movement of the number of the projects undertaken by GEL during the Track Record Period:

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
<b>Opening number of projects</b> <i>(note 1)</i>			
– Installation projects	1	–	–
– Alteration and addition works projects	–	–	–
– Maintenance projects	–	–	–
<b>Number of new projects</b> <i>(note 2)</i>			
– Installation projects	–	–	–
– Alteration and addition works projects	667	591	165
– Maintenance projects	194	168	55
<b>Number of completed projects</b> <i>(note 3)</i>			
– Installation projects	1	–	–
– Alteration and addition works projects	667	591	165
– Maintenance projects	194	168	55
<b>Ending number of projects</b> <i>(note 4)</i>			
– Installation projects	–	–	–
– Alteration and addition works projects	–	–	–
– Maintenance projects	–	–	–

*Notes:*

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

## BUSINESS

The following table sets out the movement of the projects undertaken by GEL in respect of revenue 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
<b>Opening value of ongoing projects</b>			
– Installation projects	5,559	–	–
– Alteration and addition works projects	–	–	–
– Maintenance projects	–	–	–
<b>Contract sum of new projects</b> <i>(note 1)</i>			
– Installation projects	–	–	–
– Alteration and addition works projects	43,819	49,145	17,357
– Maintenance projects	3,196	3,638	1,849
<b>Revenue recognised</b>			
– Installation projects	5,559	–	–
– Alteration and addition works projects	43,819	49,145	17,357
– Maintenance projects	3,196	3,638	1,849
<b>Ending value of ongoing projects</b> <i>(note 2)</i>			
– Installation projects	–	–	–
– Alteration and addition works projects	–	–	–
– Maintenance projects	–	–	–

*Notes:*

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

## BUSINESS

The following table sets forth the information of GEL's sizable projects with recognised revenue over HK\$10 million that were completed or the contract terms of which had expired during the Track Record Period:

Particulars and location	Type of works	Project period <i>year/month</i>	Contract sum <i>(note 1)</i> <i>HK\$'000</i>	For the year ended		For the	Total
				31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	four months ended 31 July 2017 <i>HK\$'000</i>	revenue recognised during the Track Record Period <i>HK\$'000</i>
Lee Tung Street, Wanchai, Hong Kong	Installation of fire service system	2011/11 – 2015/09	30,417	5,559	–	–	5,559

*Note:*

- Contract sum represents the contract sum stated in the original tender documents or contract and as adjusted by variation orders.

Based on the ongoing projects awarded to GEL up to the Latest Practicable Date, the details of ongoing projects regarding alteration and addition works and maintenance works of GEL are as follows:

Number of projects	Type of works	Project period	Contract sum <i>HK\$'000</i>	Revenue	Revenue	Revenue to be recognised	
				recognised from 1 April 2017 to 31 July 2017 <i>HK\$'000</i>	recognised from 1 August 2017 to the Latest Practicable Date <i>HK\$'000</i>	from the Latest Practicable Date to 31 March 2018 <i>HK\$'000</i>	for the year ending 31 March 2019 <i>HK\$'000</i>
39	Alteration and addition works	Generally within three months	Totally 12,700 (10 to 1,891 each)	–	7,300	5,400	–
15	Maintenance works	Generally within one year	Totally 3,100 (32 to 770 each)	1,100	1,300	700	–

### **GEL Acquisition**

On 3 August 2017, the GEL Share Sale Agreement was entered into among Mr. Ken Poon and Ms. Odilia Poon as the vendors and Guardian Team as the purchaser pursuant to which the Mr. Ken Poon and Ms. Odilia Poon agreed to sell, and Guardian Team agreed to purchase, the entire issued share capital of GEL.

The Directors are of the view that the GEL Acquisition resulted in the following benefits to the Group:

- GEL has a proven track records of profitability during the Track Record Period with stable sources of revenue and customer bases primarily in alteration and addition works and maintenance works. As such, the GEL Acquisition is expected to enhance the profitability of the Group.
- After completion of the GEL Acquisition, GFE and GEL, being the two operating subsidiaries of the Company, respectively have licenses of Registered Fire Service Installation Contractor (Class 1&2) and Registered Electrical Contractor. In addition, the qualified expertise team of the Group is expanded after the GEL Acquisition with focus on the alteration and addition works and maintenance works.
- GEL focuses on alteration and addition and maintenance projects hence their staff have developed experience in this business segment. Through the GEL Acquisition, the Group expects both the GFE and GEL team members to benefit from each other's experience and hence the GEL Acquisition may create potential synergy benefits to the Group.

In light of the reasons and benefits set out above, the Directors believe that the acquisition is in the interests of the Company.

Upon completion of the GEL Acquisition, GEL became a wholly-owned subsidiary of Guardian Team. As such, the assets and financial results of the GEL have been consolidated into the accounts of the Group after completion. No material gain or loss is expected to arise from the GEL Acquisition. For other quantitative impact of the GEL Acquisition, Please refer to the paragraph headed "Financial information — Unaudited pro forma financial information of the enlarged group" in this prospectus for the discussion of the financial impact of the GEL Acquisition.

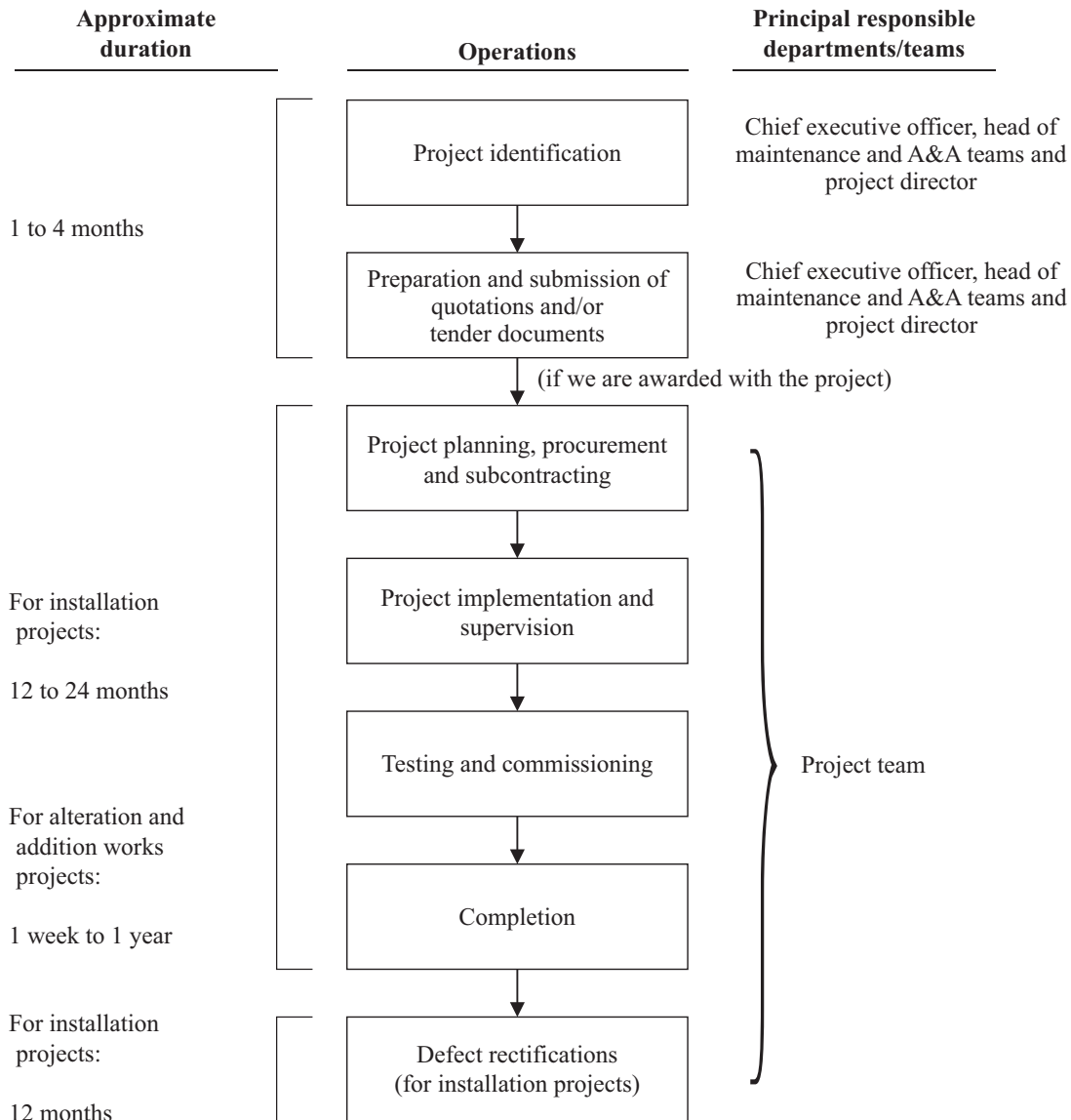
# BUSINESS

## BUSINESS OPERATIONS

Our Group’s operations follow two workflows differentiated by (i) installation projects and alteration and addition works projects; and (ii) maintenance projects.

### Our operations for installation/alteration and addition works projects

The following chart illustrates the major processes of our operations for installation projects and alteration and addition works projects:



*Project identification*

Our installation projects and alteration and addition works projects are generally obtained by tender or quotation. In the light of our prerequisite qualifications, expertise and experience in the industry, we receive tender invitations or quotation requests from our potential customers. Other than the tender invitations sent to us, we also keep track of the published tender notices of our potential customers and review the websites of the Government on which tender invitations are published to identify potential projects.

In Hong Kong, contracts in the public sector are normally awarded through tendering procedures. Tender invitations may be published in the Government Gazette, on the internet, and all relevant qualified contractors/suppliers are free to submit tenders. In some projects from both the public and private sectors, tenders are by invitations, which are sent out by letter to the qualified contractors/suppliers on the relevant approved contractors or suppliers list as maintained by the relevant Government departments or potential customers for the purpose of selective tendering.

*Preparation and submission of quotations and/or tender documents*

For invitations to tender from potential customers, our chief executive officer (for (i) installation projects and (ii) alteration and addition works projects and maintenance projects over contract sum of HK\$1 million) and head of maintenance and A&A teams (for alteration and addition works projects and maintenance projects under contract sum of HK\$1 million) will determine whether to accept the tender invitations based on factors such as customer background and our manpower availability and workload, who generally take one to two weeks to reach an internal decision. If we accept the tender invitations, we will collect tender document setting out detailed works and services required, and if applicable, preliminary design drawings, expected duration of project and completion time, and then proceed to prepare for the tender. We are usually granted three to four weeks to prepare the tender documents for installation projects and one week to three weeks to prepare tender documents for alteration and addition works projects.

Our internal tender or quotation preparation process, which mainly involves our project teams, includes a thorough analysis of the project to be undertaken including contract requirements and possible risks, followed by the collection of cost information. Such information includes quotations from suppliers for materials to be used in the project, estimates on management resources, and material and labour costs. For details of our pricing strategies for pricing a tender, please refer to the paragraph headed “Sales and marketing — Pricing policy” in this section. The tender documents or quotation prepared will be reviewed and approved by our chief executive officer (for (i) installation projects and (ii) alteration and addition works projects over contract sum of HK\$1 million) and head of maintenance and A&A teams (for alteration and addition works projects under contract sum of HK\$1 million) before submission.

For tender submission, it may take up to two months before releasing the tender results for installation projects and up to one month before releasing the tender results for alteration and addition works projects. During the Track Record Period, all our installation projects were secured through tender process.

*Project planning, procurement and subcontracting*

Upon successful tender and counter-signing on the letter of award or letter of intent, a project team, dedicated to the newly awarded project, will be formed, usually comprising a project manager, one or more project engineers and safety supervisor depending on the project scale, to hold objective meetings to identify and assess material project risks and cost control risks and to prepare a budget and work execution plan setting out the detailed forecast expenditures, delivery schedules and work schedules. The terms and conditions of the contracts with our customers vary from project to project and are generally in line with the market practice. For more information of the key terms of a contract with our customers during the Track Record Period, please refer to the paragraph headed “Customers — Key contract terms with our customers” in this section.

Our project manager is responsible for completing material planning at the commencement of a project to ensure the materials are delivered ahead of time and material expenditure under control. The major materials are sprinklers, valves, galvanised iron pipes, ductile iron pipes, as well as systems such as automatic fire alarm systems. Equipment and materials sourced will normally be delivered to the work site as required on a just-in-time basis. Our material plan generally includes details of the material suppliers, total quantities required and the schedule for delivery. For details of supplier selection and the key terms of a purchase order with our suppliers, please refer to the paragraphs headed “Suppliers — Supplier selection” and “Suppliers — Major contract terms with our suppliers” in this section.

We generally subcontract labour works of installation projects, such as installation or fitting out works, to selected subcontractors based on the availability of resources, labour-intensiveness of the work involved and cost effectiveness. For alteration and addition works projects, depending on the scale of work, we may assign our own staff to undertake the works or outsource to subcontractors. We subcontract the labour works to one or more subcontractors depending on the size and nature of the project. Please refer to the paragraph headed “Outsourcing” in this section for more details of our subcontractors.

*Project implementation and supervision*

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

(a) Design of fire safety systems

Our Group may be required to provide finalised design on fire safety systems, which includes mainly automatic and manual fire alarm systems, sprinkler systems, and fire hydrant and hose reel systems. Our customers may provide us with preliminary designs of the said systems, based on which we utilise our extensive industry experience to provide detailed designs of the said systems which are able to meet the requirements of both the customers and the relevant government authorities such as Fire Services Department.

(b) Installation of fire safety systems

Our Group is generally responsible for the overall project management, supervision and implementation of our projects during the stage of installation of fire safety system. We will organise subcontractors to carry out works and source the required equipment and components. We will also ensure that the systems installed and the fire safety works are able to meet the requirements of both the customers and the relevant government authorities.

Our project team is responsible for the implementation of the installation works and supervision of the works of our subcontractors. During the implementation stage, regular meetings among the project team members and subcontractors are held to review the work-in-progress and to ensure effective control of a project and efficient information flow. Frequent meetings with related project parties, such as main contractor, architect, consultant, other subcontractors and the customer representative are also held to keep them informed of the project progress, to identify any actual or potential problems and to take corrective action promptly in order to ensure that the customer's requirements are satisfied.

Our engineering staff would carry out daily site inspection and review the work completed by our subcontractors to monitor the work progress and work quality of our subcontractors. We are responsible to ensure the works are carried out in compliance with the requirements of our customers and government authorities. For further details, please refer to the paragraph headed "Quality control" in this section.

In the course of the project execution, our customers or their architects or consultants may give variation orders to amend the specifications and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. We will discuss with our customer or their architect, consultant or quantity surveyor to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum mainly with respect to the rate of works of the same or similar character as in the main contract. The rights and obligations under the variation order will generally be the same as that under the original contract.

*Testing and commissioning*

Before completion of a project, our project manager will ensure that all specified inspections, testing and commissioning have been carried out and that the relevant data meets the specified requirements under the contract and of the relevant government authorities such as the Fire Services Department, Buildings Department and the Electrical and Mechanical Services Department. We will also conduct relevant quality and safety tests during the testing and commissioning stage before completion and handover to our customer. In the event that the test results do not meet the requirements specified in the contract or regulatory standards, rectification works and/or re-commissioning works will be carried out to ensure that the requirements are met.



*Completion*

For fire service installation projects and alteration and addition works projects, we would submit fire service installation drawings and application for inspection and testing of fire service installation and equipment to the Fire Services Department, which will (for fire service installations) or may (for fire service alteration and addition works) then attend the site for inspection. In general, handover of work will be arranged with our customer's representatives and the practical completion certificate of the project will be issued by an authorised person such as an architect engaged by our customer. Practical completion indicates that the works to be completed under the contract have been substantially completed, and there is no major outstanding works.

During the Track Record Period, the typical contract period of our installation projects and our alteration and addition works projects ranges from one year to two years and one week to one year, respectively, while the time required for our actual completion of work varies depending on various factors including the master construction progress of the relevant project.

- Progress payments

For installation projects, we normally receive progress payments from our customers on a monthly basis with reference to the value of works done. We submit an interim payment application on a monthly basis to our customers with reference to the value of works done by us. Upon receiving our interim payment application, the authorised person of the project, such as the architect and/or quantity surveyor employed by our customer, will inspect and certify the amount of work done and then issue a payment certificate, which normally takes about 15 to 45 days from the date of interim payment application. Upon receiving the payment certificate from our customer, we will proceed with billing the customer. We generally receive payments from our customers in 14 to 21 days upon the issue of invoices to our customers.

For alteration and addition works projects, we may require our customers to prepay 30% to 50% of the total contract sum upon their acceptance of our tender or quotation as prepayment. If the duration of the project is one month or less, the remaining sum will be settled upon completion of the projects. If the duration of the project is more than one month, we may require a progress payment during the course of project.

- Retention money

Installation project contracts usually contain a term for the customers to require retention money to be held up by them from the progress payments. The retention money is typically 10% of the value of works certified in each payment, subject to a maximum retention of up to 5% of the total awarded contract sum. Generally, half of the retention money is released to us upon the issue of practical completion certificate of the project and the remaining half upon the issue of certificate of completion of making good defects after the expiry of the defect liability period. In general, within three months after the expiry of the defect liability period and the rectification of any defects by us, our customer will issue the certificate of completion to state the sum of all amounts previously certified and the contract sum as adjusted pursuant to the contract.

For alteration and addition works projects, our customers do not require any retention money to be held up by them in general.

- Performance bonds and liquidated damages

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

As at 31 March 2016 and 2017 and 31 July 2017, our Group had taken out performance bonds issued by banks or approved financial institutions in an aggregate amount of HK\$27.5 million, HK\$29.6 million and HK\$27.5 million, respectively. During the Track Record Period, no performance bond had been called nor liquidated damages had been imposed on us by our customers by reason of any delay in completion of our projects.

#### *Defect rectifications*

Our installation project contracts typically include a defect liability period, during which we are responsible for rectifying our works defects at our own expense. Subject to negotiation with our customers, the defect liability period is generally for one year from the issue date of practical completion certificate of the project. If the materials used are defective, we will replace them during the defects liability period or request our suppliers or subcontractors to do so. We generally do not offer any defect liability period for our alteration and addition works project.

During the Track Record Period, cost incurred by us to rectify defective works or products was immaterial.

#### **Our operations for maintenance projects**

Our maintenance projects are generally initiated by quotation enquiries or tender invitations from new or existing customers, or by our internal record review of our existing customers whose contracts are going to expire. The tendering or quotation process for these projects is similar to that of our installation projects.

When we are awarded a maintenance contract, our head of maintenance and A&A teams will assess the works required and then assign staff to execute the project based on the availability of our staff and the location of the project. As at the Latest Practicable Date, we had three maintenance and A&A teams and each of them provides maintenance services for the customers located in Hong Kong Island, Kowloon and the New Territories respectively.

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

## BUSINESS

For maintenance projects of fire service systems, we will issue the relevant certificate to the Fire Services Department upon annual inspection on our customer's premises during the contract period. Upon completion of the inspection, we will issue bill to our customers for payment.

During the Track Record Period, the typical contract period of our maintenance projects ranges from one year to three years.

### SALES AND MARKETING

#### Marketing policy

Our Directors consider that our success in obtaining engagements during the Track Record Period was attributable to our professional reputation, proven track record, ability to deliver quality services and our good relationships with customers.

In general, when our key potential customers, such as Government departments, property developers, main contractors and property owners, have new projects and require installation, alteration and addition works and/or maintenance services, they will refer to relevant registers of contractors or suppliers and list of approved contractors prepared by the respective Government departments. With the prerequisite qualifications, expertise and experience, we have been working towards and successfully been included in the relevant registers and lists of approved contractors. These qualifications avail ourselves of attracting potential customers in both the private and public sectors.

As a result, we focus on maintaining the quality of our services, enriching our experience and expertise in the industry, upholding our professional reputation, and maintaining our relationships with customers instead of on advertising and promotion. During the Track Record Period, we did not incur material spending on advertising and promotion.

#### Tender success rate

During the Track Record Period, the total number of new projects obtained by our Group for the year ended 31 March 2016, 31 March 2017 and for the four months ended 31 July 2017 were 1,476, 1,595 and 659, respectively, of which 10 projects, 4 projects and nil were obtained by tenders, respectively, and the remaining projects were obtained by way of quotations. For tender submission, subject to the customers, it may take up to two months before releasing the tender results for installation projects. The following table sets forth our overall tender success rate during the Track Record Period:

	For the year ended 31 March		For the four months ended 31 July	From 1 April 2017 to the Latest Practicable Date
	2016	2017	2017	
Number of tenders submitted	72	55	16	31
Number of contracts awarded	10	4	–	2
Tender success rate <sup>(note 1)</sup>	13.9%	7.3%	0%	6.5%
Aggregate amount of original contract sum <sup>(note 2)</sup>	HK\$168.8 million	HK\$193.6 million	–	HK\$40.9 million

## BUSINESS

*Notes:*

- (1) Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year, divided by the number of tenders submitted during the respective financial year.
- (2) Such amount represents the aggregate amount of original contract sums of the contracts obtained by tenders, and excludes any subsequent changes due to variation orders.

Our tenders or quotations are based on our estimates and available information, taking into consideration the deployment of our resources including our labour, materials and financial resources required to carry out our services as well as the complexity and length of the relevant projects. Generally, we price a project based on a cost-plus pricing model with a markup so we can deliver quality work and at the same time achieve a reasonable profit margin. During the Track Record Period, we had been able to maintain a relatively stable gross profit margin of approximately 13.6%, 16.0% and 17.0% for the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, respectively. This prudent approach in our costs estimation and our pricing policy may cause our tender price/quotation to be less competitive than other submitted tender(s)/quotation(s). Furthermore, we usually submit tenders in order to keep our presence in the market and keep ourselves abreast of the latest market requirements and pricings, which are considered to be useful in preparing similar tenders in the future. As such, we had recorded a relatively low tender success rate during the Track Record Period as set out in the table above.

Furthermore, having deployed a large portion of our labour and financial resources for carrying out the works for projects on hand, in particular, the large-scale ongoing project relating to the project located in Oil Street, North Point, which had an original contract sum of approximately HK\$101.2 million since its commencement in September 2016, we had become more selective in submitting tenders after considering our then available labour, financial (including cash flow) and management resources, which are important factors we would consider before bidding for new tenders. As such, we had been less aggressive in submitting competitive tenders after committing most of the resources in this large-scale project and other projects in progress as at the Latest Practicable Date. As a result, our tender success rate for the year ended 31 March 2017 was lower compared to the year ended 31 March 2016.

### **Pricing policy**

The terms of our contracts are negotiated between our customers and us. In general, the terms are determined on a project-by-project basis. During the Track Record Period, we prepared our tenders and quotations based on our estimated cost of management resources, material and equipment, labour, any additional insurance policy we are required to take out particularly for the project, and subcontracting cost, plus a mark-up. We estimated the cost of material and equipment and subcontracting cost with reference to our internal cost list of or by obtaining quotations from our approved suppliers and subcontractors.

During the Track Record Period, in determining our said mark-up for each installation and addition and alteration works project, we primarily considered the factors including but not limited to: (i) scope of our services; (ii) complexity of the installation works and addition and alteration works; (iii) duration of the project; (iv) estimated project costs; (v) the level of human resources to be involved; (vi) our capacity; (vii) historical fees we received for similar projects and the current fee level in the market; and (viii) background of the customer and payment terms.

## BUSINESS

In determining our said mark-up for maintenance projects, we generally considered the factors including: (i) scope of maintenance services; (ii) duration of the maintenance services; and (iii) the level of human resources to be involved.

### **Credit policy**

We usually receive progress payments from our customers on a monthly basis with reference to the value of works done. Generally, we submit an interim payment application on a monthly basis to our customer with reference to the works done, which will be subsequently certified by the authorised persons employed by the customers. It normally takes about 15 to 45 days from the date of interim payment application before receiving the payment certificate from our customers with which we will then proceed to bill our customers.

For alteration and addition works projects, we may require our customers to prepay 30% to 50% of the total fee upon their acceptance of our tender or quotation as prepayment. If the duration of the project is one month or less, the remaining fee will be settled upon completion of the projects. If the duration of the project is more than one month, we may require a progress payment during the course of project. For maintenance projects, we will issue bill to our customers for payment upon completion of each inspection.

We generally grant our customers a credit period of 14 days from the invoice date during the Track Record Period. We mainly accept payments from our customers by way of bank transfer or cheque. Our management closely monitors the settlement status of our trade receivables and regularly review the credit terms. Our Directors assess the collectability of our trade receivables regularly and on a case-by-case basis for the determination of any provision for trade receivables. Our Director's assessment is based on, among other things, (i) the evaluation of collectability; (ii) the aging analysis of the receivables; (iii) the current creditworthiness; (iv) the past collection history of the customer; and (v) our Group's current and potential business relationship with the customer. The provision for trade receivables may be required if the financial condition of any of our Group's customers deteriorate, resulting in an impairment of their ability to make payments. During the Track Record Period, we did not have any bad debt or provisioning made for our trade receivables.

For the years ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, the average trade receivable turnover days were approximately 31 days, 28 days and 31 days respectively for our Group.

### **Seasonality**

Due to the nature of our business which is project-based, we had not experienced any material fluctuations that were directly linked to seasonal factors during the Track Record Period. Our Directors also believe that there is no prominent seasonal pattern for the demand of our services.

## BUSINESS

### CUSTOMERS

We serve customers in both private and public sectors. Our customers in the private sector mainly include property developers, property owners, main contractors who are engaged by property developers whereas our customers in the public sector are mainly Government departments such as the Housing Authority and the Electrical and Mechanical Services Department. We had served approximately 889 customers during the Track Record Period.

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

	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)			
Private sector	117,730	95.8	152,343	94.5	38,956	96.4	65,061	97.1
Public sector	5,119	4.2	8,824	5.5	1,473	3.6	1,947	2.9
	<u>122,849</u>	<u>100</u>	<u>161,167</u>	<u>100</u>	<u>40,429</u>	<u>100</u>	<u>67,008</u>	<u>100</u>

### Major customers

For each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, the revenue from our five largest customers amounted to approximately HK\$66.7 million, HK\$84.0 million and HK\$30.8 million, accounting for approximately 54.3%, 52.1% and 45.9% of our total revenue, respectively; and the revenue from our largest customer amounted to approximately HK\$19.3 million, HK\$34.7 million and HK\$9.6 million, accounting for approximately 15.7%, 21.5% and 14.3% of our total revenue, respectively.

## BUSINESS

The following three tables set out the details of our five largest customers during the Track Record Period:

*For the year ended 31 March 2016*

Rank	Customer	Customer background	Our services provided to customer	Approximate years of business relationship with our Group as at 31 March 2016	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue %
1	Customer A	A listed construction company (with market cap over HK\$57 billion) based in the PRC founded in 2007 with business covering housing construction, international contracting, real estate development and investment, infrastructure construction and investment, prospecting and design. According to its website, it is China's largest construction and real estate conglomerate, biggest building work contractor and largest transnational construction company in the developing countries and the top home builder in the world. It operates in more than 20 countries around the world.	Installation of fire service systems	18 years	19,270	15.7
2	Customer B	A construction company founded in 1982 and a subsidiary of a listed group in Hong Kong (with market cap over HK\$4 billion). It has participated in many development projects in Hong Kong, including the redevelopment of public housing estates, Private Sector Participation Scheme for the Hong Kong Housing Authority, construction of school buildings for primary, secondary and tertiary institutes, and a range of commercial, industrial, residential and shopping arcade projects for the private sector.	Installation of fire service systems	2 years	18,263	14.9

## BUSINESS

Rank	Customer	Customer background	Our services provided to customer	Approximate years of business relationship with our Group as at 31 March 2016	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue %
3	Customer C	A building contractor founded in 1997 and a wholly-owned subsidiary of a listed construction group in Hong Kong (with market cap over HK\$1.4 billion). It has been engaged in various businesses such as building construction, interior and renovation works, supply and installation of building materials, property development and property agency and management.	Installation of fire service systems	14 years	10,455	8.5
4	Customer D	A building and civil engineering contractor founded in 1974 and a subsidiary of a listed construction group in Hong Kong (with market cap over HK\$1.3 billion). It has handled a number of large-scale integrated construction projects in Hong Kong, specialising in building construction projects and civil engineering works for both the public and private sectors.	Installation of fire service systems	12 years	10,179	8.3
5	Customer E	A main contractor in Hong Kong established in 1961 and a subsidiary of a listed group in Hong Kong (with market cap over HK\$59 billion) which have a diversified operation including investment in and operation of facilities, contracting, transport and financial services; development, investment, operation and management of power plants, water treatment and waste management plants, roads, ports and logistics facilities.	Installation of fire service systems	15 years	8,497	6.9
Total					66,664	54.3



## BUSINESS

*For the year ended 31 March 2017*

Rank	Customer	Customer background	Our services provided to customer	Approximate years of business relationship with our Group as at 31 March 2017	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue %
1	Customer F	Founded in 1993, it is a wholly-owned subsidiary of one of the largest listed property companies (with market cap of HK\$350 billion) which specialises in developing premium-quality residential projects, offices and shopping centres in Hong Kong. Apart from property development, the group also engages in hotel operation, telecommunications, transportation, infrastructure and logistics. Customer F is the building construction arm of the group.	Installation of fire service systems	16 years	34,745	21.5
2	Customer A	A construction company, further particulars of which are shown in the table above.	Installation of fire service systems	19 years	14,183	8.8
3	Customer G	Headquartered in Hong Kong, Customer G is a building constructor which has projects throughout China and Southeast Asia. According to its website, Customer G has an annual turnover of US\$2 billion and employ over 8,000 staff in Southeast Asia. It is owned by an Asian-based conglomerate with extensive regional experience and a world-class engineering, construction and services group.	Installation of fire service systems	15 years	13,956	8.7
4	Customer H	Founded in 1973, Customer H is one of the local main contractors in Hong Kong.	Installation of fire service systems	8 years	13,001	8.1
5	Customer C	A building contractor, further particulars of which are shown in the table above.	Installation of fire service systems	15 years	8,076	5.0
Total					<u>83,961</u>	<u>52.1</u>

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Customer	Customer Background	Our services provided to customers	Approximate years of business relationship with our Group as at 31 July 2017	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue %
1	Customer H	Founded in 1973, Customer H is one of the local main contractors in Hong Kong.	Installation of fire service systems	8 years	9,596	14.3
2	Customer J	Founded in 2011, Customer J is a property developer, a wholly owned subsidiary of a Hong Kong listed company principally engaging in property development and investment, hotel and serviced suite operation, property and project management, and aircraft leasing.	Installation of fire service systems	20 years	7,413	11.1
3	Customer K	Founded in 2011, Customer K is one of the environmental management and consultancy in Hong Kong.	Installation of fire service systems	2 years	6,104	9.1
4	Customer L	Founded in 1974, Customer L started to participate in construction market in 1984.	Installation of fire service systems	1 year	4,047	6.0
5	Customer M	Established in 1973, Customer M is a property development company with construction expertise extends from residential estates, commercial developments and industrial buildings to shopping malls, hotels, hospitals, parks and footbridges, a wholly owned subsidiary of a Hong Kong listed leading property development and property investment group with a focus on Hong Kong and mainland China.	Alteration and addition works	13 years	3,632	5.4
					30,792	45.9
					30,792	45.9

## BUSINESS

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

The following three tables set out the details of the five largest customers of our Group (after taking into account the customers of GEL even GEL was not part of our Group and its results were not combined with our Group's results during the Track Record Period) during the Track Record Period for illustrative purpose only:

*For the year ended 31 March 2016*

Rank	Customer	Customer background	Our services provided to customer	Approximate years of business relationship with our Group as at 31 March 2016	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue <i>(Note)</i> %
1	Customer A	A listed construction company, further particulars of which are shown in the table above.	Installation of fire service systems	18 years	24,829	14.8
2	Customer B	A construction company, further particulars of which are shown in the table above.	Installation of fire service systems	2 years	18,263	10.8
3	Customer C	A building contractor, further particulars of which are shown in the table above.	Installation of fire service systems	14 years	10,455	6.2
4	Customer D	A building and civil engineering contractor, further particulars of which are shown in the table above.	Installation of fire service systems	12 years	10,179	6.0
5	Customer I	Founded in 1992, a wholly-owned subsidiary of a leading group specialising in critical environment infrastructure in Hong Kong. It provides total solutions for critical environments from consulting services, design, implementation, project management to support services.	Alteration and addition works	6 years	9,305	5.5
Total					73,031	43.3

## BUSINESS

*For the year ended 31 March 2017*

Rank	Customer	Customer background	Our services provided to customer	Approximate years of business relationship with our Group as at 31 March 2017	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue <i>(Note)</i> %
1	Customer F	A wholly-owned subsidiary of one of the largest listed property companies, further particulars of which are shown in the table above.	Installation of fire service systems	16 years	46,528	22.5
2	Customer A	A construction company, further particulars of which are shown in the table above.	Installation of fire service systems	19 years	14,183	6.8
3	Customer G	A building constructor, further particulars of which are shown in the table above.	Installation of fire service systems	15 years	13,956	6.7
4	Customer H	A local main contractors in Hong Kong, further particulars of which are shown in the table above.	Installation of fire service systems	8 years	13,001	6.3
5	Customer C	A building contractor, further particulars of which are shown in the table above.	Installation of fire service systems	15 years	8,076	3.9
Total					95,744	46.2

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Customer	Customer Background	Our services provided to customers	Approximate years of business relationship with our Group as at 31 July 2017	Revenue contribution <i>HK\$'000</i>	Approximate % of our total revenue %
1	Customer H	Founded in 1973, Customer H is one of the local main contractors in Hong Kong.	Installation of fire service systems	8 years	9,596	11.4
2	Customer N	Founded in 1999, Customer N is a data center services provider in Hong Kong, a wholly owned subsidiary of a Hong Kong GEM listed company principally engaging in operating data centres.	Alteration and addition works	16 years	7,705	9.1
3	Customer J	Founded in 2011, Customer J is a property developer, a wholly owned subsidiary of a Hong Kong listed company principally engaging in property development and investment, hotel and serviced suite operation, property and project management, and aircraft leasing.	Installation of fire service systems	20 years	7,413	8.8
4	Customer K	Founded in 2011, Customer K is one of the environmental management and consultancy in Hong Kong.	Installation of fire service systems	2 years	6,104	7.2
5	Customer L	Founded in 1974, Customer L started to participate in construction market in 1984.	Installation of fire service systems	1 year	4,047	4.8
					34,865	41.3

*Note:* The total revenue is on an unaudited pro forma basis assuming GEL had been acquired by us on the first day of the relevant period, and is included in this prospectus for illustrative purpose only, and thus is not necessarily representative of our Group's financial condition and results of operations as they would have appeared in our Group's combined financial information had the acquisition of GEL occurred during the relevant period.

<b>BUSINESS</b>
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**Key contract terms with our customers**

For installation projects and alteration and addition works projects, we usually enter into agreements with our customers on a project-by-project basis, which are generally non-recurring in nature. For maintenance service agreements, they generally last for one to three years. The following table sets forth the general terms of engagement with customers in respect of installation projects, alteration and addition works project and maintenance projects:

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Nature/scope of work/equipment to be purchased	Specify the type and quantity of equipment to be covered, the types of installation works or alteration and addition works to be carried out and the areas/facilities that require such works.	Specify the equipment to be covered by and the areas/facilities that require such maintenance works.
Duration of contract	Specify the period during which we shall carry out the installation works or alteration and addition works. The duration of works depends on the scale and complexity of a specific contract. It may be extended from time to time pursuant to the terms of the main contracts if we act as subcontractor in the installation projects or alteration and addition works projects.  During the Track Record Period, the duration of installation projects generally ranged from two to four years whereas the duration of alteration and addition works projects generally ranged from one week to one year.	Specify the period during which we shall carry out the maintenance works.  During the Track Record Period, the duration of maintenance projects generally ranged from one to three years.
Location	The location(s) of the project site(s) at which we should carry out the installation works or alteration and addition works.	The location(s) at which we should carry out the maintenance works.

## BUSINESS

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Total contract sum	The total contract sum, which is usually a fixed amount, of a project, subject to any variation orders requested by our customers or their architects or consultants from time to time.	The total value of all maintenance works conducted by us, which will be valued in accordance with the schedule of rates set out in the maintenance contracts during the progress of or as soon as possible after the completion of each work order.
Payment	<p>We generally receive regular interim payments from our customers based on the amount of works completed. We normally provide our customers with a written invoice specifying the amount of works completed and the corresponding values of the completed works. Our customers will then assess and verify the amount of completed works, and will issue a certificate approving the amount of works eligible for payments.</p> <p>For alteration and addition works projects, we may require our customers to prepay 30% to 50% of the total fee upon their acceptance of our tender or quotation as prepayment. If the duration of the project is one month or less, the remaining fee will be settled upon completion of the projects. If the duration of the project is more than one month, we may require a progress payment during the course of project.</p>	For maintenance projects, we will issue bill to our customers for payment upon completion of each inspection.
Schedule of rates	Specify the quantity, the unit price and the total price of each item required in the contracted works.	Specify the unit rate of labour, quantity and materials if required.

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Retention monies	<p>A portion of progress payment is withheld by our customers for securing our due performance of the contracts, which is generally 10% of the relevant payment sum and is subject to a maximum retention of 5% of the total contract sum.</p> <p>Generally, half of the retention money will be released upon the issuance of certificate of practical completion of the contracted works by customers. The remaining retention money will be released upon the expiry of the defect liability period as specified in the contract, or upon the rectification of defects or imperfections discovered in relation to our works, whichever is later.</p>	Generally, no retention money is required.
Variation orders	<p>Our customers may amend the specifications and scope of works from that originally contracted. A variation order may increase, omit or vary the original scope of work and alter the original contract sum. Variation orders are generally valued at the same unit rate of similar work set out in the original contract.</p>	
Performance bonds	<p>Subject to negotiation, we may or may not need to take out a performance bond issued by a bank or an approved financial institute of 10% of the contract sum for securing our Group's due performance of the contract.</p>	Generally, no performance bond is required.



## BUSINESS

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Liquidated damages	If completion of a project is delayed due to our fault, we may, subject to the rights for time extension, be required to pay liquidated damages, typically calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.	
Defect liability period	A period during which we remain responsible for, at our own expense, rectifying any defects or imperfections discovered in relation to our installation works done. The defect liability period for our installation projects is generally twelve months from the date of completion of our installation projects. We generally do not offer any defect liability period for our alteration and addition works project.	Generally, there is no defect liability period, except that six to twelve months of defective liability will be provided for new equipment replaced or installed during the maintenance service.

## SUPPLIERS

We mainly source raw materials such as sprinklers, valves, fire hydrants, hose reels, fire service pumps, galvanised iron pipes and fittings, ductile iron pipes, as well as systems such as automatic fire alarm systems and gaseous extinguishing systems from our suppliers.

### Major suppliers of GFE

For each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, the total purchases made from our five largest suppliers amounted to approximately HK\$12.1 million, HK\$19.3 million and HK\$6.9 million, representing 50.3%, 48.3% and 54.4% of our total purchases for the relevant year/period, respectively. The purchases from our largest supplier amounted to approximately HK\$3.4 million, HK\$5.6 million and HK\$2.6 million for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, which accounted for 14.1%, 14.0% and 20.5% of our total purchases for the relevant year/period, respectively.

## BUSINESS

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

*For the year ended 31 March 2016*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 March 2016	Total purchases HK\$'000	Approximate % of our total purchases %
1	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	9 years	3,375	14.1
2	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipe fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	10 years	2,843	11.8
3	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe fittings and sprinklers, valves	9 years	2,341	9.7
4	Supplier D	Manufacturer of water pumps	Water pumps	5 years	1,838	7.6
5	Supplier E	A global leading provider of equipment, controls and services for heating, ventilating, air-conditioning, refrigeration and security systems, incorporated in Hong Kong in 1980 with company history dated back to 1885. Its business operations span over 150 countries.	Automatic fire alarm systems	10 years	1,704	7.1
Total					12,101	50.3

## BUSINESS

*For the year ended 31 March 2017*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 March 2017	Total purchases HK\$'000	Approximate % of our total purchases %
1	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipe fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	11 years	5,616	14.0
2	Supplier F	A distributor of various fire systems and solution provider in industrial fire protection services, founded in 2012 in Hong Kong.	Automatic fire alarm systems, foam systems, gas extinguishing systems	4 years	4,364	10.9
3	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe fittings and sprinklers, valves	10 years	3,951	9.9
4	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	10 years	2,762	6.9
5	Supplier G	A Hong Kong hardware company established in 1978 supplying import copper tubes, mainland copper tubes, galvanised steel pipes, ductile iron pipes, Ductile iron gate valve, PVC pipes, pipe fittings and all kind of plumbing related products. It has its own factory in Dongguan, the PRC	Galvanised pipe fittings, mechanical coupling fittings and galvanised iron pipes	3 years	2,622	6.6
Total					19,315	48.3

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 July 2017	Total purchases HK\$'000	Approximate % of our total purchase %
1	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipes fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	11 years	2,602	20.5
2	Supplier G	A Hong Kong hardware company established in 1978 supplying import copper tubes, mainland copper tubes, galvanized steel pipes, ductile iron pipes, Ductile iron gate valve, PVC pipes, pipe fittings and all kind of plumbing related products. It has its own factory in Dongguan, the PRC	Galvanized pipe fittings, mechanical coupling fittings and galvanized iron pipes	3 years	1,448	11.4
3	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe, fittings and sprinklers, valves	10 years	1,029	8.1
4	Supplier H	Founded in 1996, a Hong Kong company is working in industrial equipment, electrical good business activities.	Water pumps	6 years	978	7.7
5	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	10 years	849	6.7
					6,906	54.4

Our five largest suppliers during the Track Record Period were Independent Third Parties. To the best of our Directors' knowledge, having made all reasonable enquiries, none of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

## BUSINESS

The following three tables set out the details of the five largest suppliers of our Group (after taking into account the suppliers of GEL even GEL was not part of our Group and its results were not combined with our Group's results during the Track Record Period) during the Track Record Period for illustrative purpose only:

*For the year ended 31 March 2016*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 March 2016	Total purchases HK\$'000	Approximate % of our total purchases (Note) %
1	Supplier F	A distributor of various fire systems and solution provider in industrial fire protection services, founded in 2012 in Hong Kong.	Automatic fire alarm systems, foam systems, gas extinguishing systems	3 years	6,231	17.0
2	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	9 years	3,375	9.3
3	Supplier E	A global leading provider of equipment, controls and services for heating, ventilating, air-conditioning, refrigeration and security systems, incorporated in Hong Kong in 1980 with company history dated back to 1885. Its business operations span over 150 countries.	Automatic fire alarm systems	10 years	3,266	9.0
4	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipe fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	10 years	3,155	8.7
5	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe fittings and sprinklers, valves	9 years	2,342	6.4
Total					18,369	50.4

## BUSINESS

*For the year ended 31 March 2017*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 March 2017	Total purchases HK\$'000	Approximate % of our total purchases (Note) %
1	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipe fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	11 years	6,783	14.7
2	Supplier F	A distributor of various fire systems and solution provider in industrial fire protection services, founded in 2012 in Hong Kong.	Automatic fire alarm systems, foam systems, gas extinguishing systems	4 years	4,963	10.8
3	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe fittings and sprinklers, valves	10 years	3,951	8.6
4	Supplier G	A Hong Kong incorporated company supplying automatic fire alarm panel and detectors	Automatic fire alarm panel and detectors	1 year	3,020	6.5
5	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	10 years	2,762	6.0
Total					21,479	46.6

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group as at 31 July 2017	Total purchases HK\$'000	Approximate % of our total purchase %
1	Supplier B	Founded in 1984, a Hong Kong based distributor for manufacturers of various fire fighting products worldwide.	Automatic fire alarm systems, pipes fittings, hose reels, sprinkler heads, valves, fire hydrants, portable fire appliances	11 years	2,859	19.0
2	Supplier G	A Hong Kong hardware company established in 1978 supplying import copper tubes, mainland copper tubes, galvanized steel pipes, ductile iron pipes, Ductile iron gate valve, PVC pipes, pipe fittings and all kind of plumbing related products. It has its own factory in Dongguan, the PRC	Galvanized pipe fittings, mechanical coupling fittings and galvanized iron pipes	3 years	1,448	9.6
3	Supplier C	Founded in 1965, a fire fighting service manufacturer based in Hong Kong, producing a range of fire fighting equipment.	Fire hose reels, hydrant valves, branch pipes, nozzles, coupling pipe, fittings and sprinklers, valves	10 years	1,047	7.0
4	Supplier H	Founded in 1996, a Hong Kong company is working in industrial equipment, electrical good business activities.	Water pumps	6 years	978	6.5
5	Supplier A	A German conglomerate company founded in 1847, offering a comprehensive range of product systems and services for power, automation and control, lighting, etc. Its business operations span over 190 countries.	Automatic fire alarm systems	10 years	849	5.6
					7,181	47.7
					7,181	47.7

*Note:* The total purchases is on an unaudited pro forma basis assuming GEL had been acquired by us on the first day of the relevant period, and is included in this prospectus for illustrative purpose only, and thus is not necessarily representative of our Group's financial condition and results of operations as they would have appeared in our Group's combined financial information had the acquisition of GEL occurred during the relevant period.

## BUSINESS

During the Track Record Period, our Group had not experienced any major disruption of business due to material delay by our suppliers. Our Directors further confirmed that they were not aware of any material financial difficulties experienced by any of our major suppliers that may materially affect our Group's business.

### Supplier selection

Our Group maintains an internal list of approved suppliers. We select our suppliers based on a number of factors, including their industry qualification, business scale, product quality, timely supply, financial stability and complaint history. We generally get quotations for the raw materials we need in our new projects from more than one supplier on our approved list if there is more than one supplier that meets the requirements of the project and specifications from our customers. The selection then depends upon the availability and price quotations of our suppliers.

### Major contract terms with our suppliers

We generally place purchase orders with our suppliers on a project-by-project basis. For some of our mostly purchased raw materials such as galvanised iron pipes and fittings, we may enter into a contract valid up to one year with our suppliers for a fixed unit rate of a specific item. During the contracted period, we can purchase the specific item at the fixed unit price from the supplier. The key contract terms with our suppliers typically include, among others, the followings:

<b>Key terms</b>	<b>Description</b>
Specifications and quantities of equipment to be purchased	This is generally in a form of price list showing the unit price, quantity and specifications of each equipment to be purchased.
Delivery	The ordered equipment is usually delivered directly to the designated site of our customers for installation.
Terms of payment	The credit period our suppliers generally grant us to settle our payments ranges from 30 to 90 days from the invoice date. Certain suppliers require us to pay upon the presentation of invoice or upon delivery of goods.  Payments are generally settled via bank transfer or cheque.
Product return	We will examine the equipment upon delivery and report to the relevant suppliers if defective goods are found. Our suppliers will then arrange for replacement of the equipment for us and bear all the relevant costs.
Warranty period	Our suppliers generally grant us a warranty period of one year for the equipment.
Other terms	In the case where we enter into a contract with our suppliers for a fixed unit rate of a particular item, the contract will specify the product specifications, the unit price, the contract period and the total amount we can purchase at the unit price within the contract period.



### **Inventory**

We do not keep inventories of raw materials. Our project manager or project engineer for each installation project or supervisor or technician for each alteration and addition works project or each maintenance project is responsible for the overall scheduling of orders and deliveries of the materials, so as to match material deliveries with the project's requirements. We normally issue purchase orders to suppliers indicating the different tentative delivery dates which match with the project schedules. All raw materials are delivered by our suppliers to our customers' construction sites or premises for installation.

### **OUTSOURCING**

For flexible manpower management and minimising the fixed costs for employing large teams of technicians, we generally delegate the labour-intensive installation work in installation projects and also some alteration and addition works projects to selected subcontractors.

We have our internal approved list of subcontractors for each type of work. In order to be included in our internal approved list of subcontractors, a subcontractor needs to demonstrate that it has the relevant licences and qualifications and relevant job experience from previous job references. Other assessment factors include work quality, site management and work planning, time management, sufficiency of labour force, work safety track record, financial strength and stability, environmental awareness and cooperativeness with third parties. We also will perform annual review on those subcontractors on our list to ensure their capability and that their work is up to standard.

Our chief executive officer together with the designated project director will decide which subcontractors to use for each project based on our previous work experience with them. Our Directors confirm that we did not have any material disputes with our subcontractors during the Track Record Period. Our working relationship with our major subcontractors ranged from 1 to 14 years during the Track Record Period. Our Directors consider that we maintained a good business relationship with our subcontractors.

### **Major subcontractors**

For each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, the subcontracting payments attributable to our five largest subcontractors collectively amounted to approximately HK\$48.1 million, HK\$41.0 million and HK\$22.1 million, accounting for approximately 66.4%, 51.6% and 57.4% of our total subcontracting fee, respectively; whereas the subcontracting payments attributable to our largest subcontractor amounted to approximately HK\$17.0 million, HK\$9.6 million and HK\$7.0 million, accounting for approximately 23.4%, 12.0% and 18.2% of our total subcontracting fee, respectively.

## BUSINESS

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

*For the year ended 31 March 2016*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 March 2016	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee
1	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	5 years	16,965	23.4
2	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	4 years	9,737	13.4
3	Ying Fai Co. Ltd.	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2013.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	2 years	9,700	13.4
4	GEL	Installation, alteration and addition works, and maintenance services of E&M engineering system in Hong Kong	Installation of automatic fire alarm systems and wet fire service systems	13 years	6,760	9.3
5	Subcontractor C	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2003.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	9 years	4,979	6.9
Total					48,141	66.4

## BUSINESS

*For the year ended 31 March 2017*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 March 2017	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee <i>%</i>
1	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	6 years	9,596	12.0
2	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	6 years	8,988	11.3
3	Subcontractor D	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems.	Installation and alteration and addition works of wet fire service systems	14 years	7,937	10.0
4	Subcontractor C	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2003.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	10 years	7,309	9.2
5	Ying Fai Co. Ltd.	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2013.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	3 years	7,200	9.1
Total					41,030	51.6

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 July 2017	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee <i>%</i>
1	Subcontractor G	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems.	Installation works of entire fire service systems	6 years	7,009	18.2
2	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	6 years	4,883	12.7
3	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	6 years	4,299	11.1
4	Subcontractor H	A Hong Kong incorporated company specialising in installation and maintenance of fire services system.	Installation and alteration and addition works of wet fire service systems	1 year	2,972	7.7
5	Subcontractor D	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems.	Installation and alteration and addition works of wet fire service systems	14 years	2,955	7.7
					22,118	57.4
					22,118	57.4

Our five largest subcontractors during the Track Record Period (except Ying Fai Co., Ltd. and GEL) were Independent Third Parties. Ying Fai Co., Ltd. is wholly-owned by Wai Po Fire Engineering Inc., which is in turn wholly owned by Mr. Tong Bill (who was a director of our subsidiary, GFE, until 13 February 2017). To the best of our Directors' knowledge, save as mentioned above, none of our Directors, their associates or any Shareholder who owns more than 5% of the issued share capital of our Company had any interest in any of our five largest subcontractors during the Track Record Period.

## BUSINESS

The following three tables set out the details of our five largest subcontractors (after taking into account the subcontractors of GEL even GEL was not part of our Group and its results were not combined with our Group's results during the Track Record Period) during the Track Record Period for illustrative purpose only:

*For the year ended 31 March 2016*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 March 2016	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee <i>(Note)</i> %
1	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	5 years	17,765	18.6
2	Subcontractor C	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2003.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	9 years	16,089	16.8
3	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	5 years	9,737	10.2
4	Ying Fai Co. Ltd.	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2013.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	2 years	9,700	10.2
5	Subcontractor E	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	7 years	8,202	8.6
Total					61,493	64.4

## BUSINESS

*For the year ended 31 March 2017*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 March 2017	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee (Note) %
1	Subcontractor F	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	1 year	21,206	19.4
2	Subcontractor C	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2003.	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	10 years	11,801	10.8
3	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	6 years	9,596	8.7
4	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	6 years	8,988	8.2
5	Subcontractor D	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems.	Installation and alteration and addition works of wet fire service systems	14 years	7,937	7.2
Total					59,528	54.3

## BUSINESS

*For the four months ended 31 July 2017*

Rank	Subcontractor	Principal business	Services provided to our Group	Approximate years of business relationship with our Group as at 31 July 2017	Subcontracting fee <i>HK\$'000</i>	Approximate % of our total subcontracting fee %
1	Subcontractor G	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems.	Installation works of entire fire service systems	6 years	7,009	13.6
2	Subcontractor F	A Hong Kong Incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	1 year	6,484	12.6
3	Subcontractor B	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems since 2008.	Installation and alteration and addition works of wet fire service systems	6 years	4,883	9.5
4	Subcontractor I	A Hong Kong incorporated company specialising in installation and maintenance of automatic fire alarm systems and wet fire service systems	Installation and alteration and addition works of automatic fire alarm systems and wet fire service systems	8 years	4,336	8.4
5	Subcontractor A	A Hong Kong incorporated company specialising in installation and maintenance of fire service systems since 2011.	Installation and alteration and addition works of automatic fire alarm systems	6 years	4,299	8.2
					27,011	52.3
					27,011	52.3

*Note:* The total subcontracting fee is on an unaudited pro forma basis assuming GEL had been acquired by us on the first day of the relevant period, and is included in this prospectus for illustrative purpose only, and thus is not necessarily representative of our Group's financial condition and results of operations as they would have appeared in our Group's combined financial information had the acquisition of GEL occurred during the relevant period.

## BUSINESS

### **Key contract terms with our subcontractors**

We usually enter into agreements with our subcontractors on a project-by-project basis. The following table sets forth the general terms of engagement with subcontractors in respect of installation projects, alteration and addition works projects and maintenance projects:

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Duration of contract	The duration of installation projects and alteration and addition works projects normally varies depending on the scale and scope of our projects with our customers.	The duration of maintenance projects ranges from one to three years.
Nature and scope of subcontracted works	Specification of equipment covered and the types of installation works or alteration and addition works to be carried out in compliance with the specifications as set out in our installation contracts or alteration and addition works contracts with our customers.	Maintenance works in compliance with the specifications as set out in our maintenance contracts with our customers.
Materials	<p>We may require our subcontractors to source and supply for materials as part of their subcontracted services. We generally provide specifications for these materials.</p> <p>Should the subcontractors request us to procure these materials on their behalf, we will require our subcontractors to reimburse us for the costs of materials by deducting such costs of materials from the subcontracting fees.</p>	
Completion date	The completion dates in the subcontracts are generally determined in accordance with the project schedules set by our customers.	



<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Subcontracting fees	<p>Each subcontract provides for a lump sum subcontracting fee for the subcontracted installation or alteration and additions works.</p> <p>The unit rates and prices shown in the unit price list attached to the subcontracts are only for the purpose of valuation assessment if there is any variation in the scope of works due to a variation in our contracts with our customers.</p>	<p>The subcontracting fees depends on the amount of maintenance works to be carried out by our subcontractors, which are calculated in accordance to the unit rates and prices shown in the unit price list attached to the subcontracts.</p> <p>The unit price list is also for the purpose of valuation assessment if there is any variation in the scope of works due to a variation in our contracts with our customers.</p>
Payment	<p>Subcontractors are to submit payment applications, usually on a monthly basis, with reference to the works done. Once we have verified the subcontractors' applications against the actual works done as certified by our customers or supervising engineering staff, we will release the relevant proportion of the subcontracting amounts after holding up retention money.</p>	<p>Subcontractors are to submit payment applications, usually on a monthly basis, with reference to the works done. Once we have verified the subcontractors' applications against the actual works done as certified by our customers or supervising engineering staff, we will settle the payment.</p>

## BUSINESS

<b>Key terms</b>	<b>Installation projects and alteration and addition works projects</b>	<b>Maintenance projects</b>
Retention money	<p>The amount of retention monies we may withhold from our subcontractors is generally 10%.</p> <p>We shall release 50% of the retention monies upon the issuance of the satisfactory certificate by the Fire Services Department, and the remaining 50% upon the receipt of the certificate of making good defects.</p>	<p>Generally, no retention money is required for maintenance projects.</p>
Responsibilities of subcontractors	<p>Subcontractors shall comply with the general specifications and design drawings of our installation projects or alteration and addition works projects, our occupational health and safety polices, as well as all relevant laws and regulations in Hong Kong.</p> <p>Subcontractors shall provide sufficient manpower for the subcontracted works.</p> <p>Subcontractors shall not hire self-employed persons or illegal workers.</p> <p>Subcontractors shall provide appropriate trainings to its labour to enable them to carry out the subcontracted works.</p>	

### **QUALITY CONTROL**

Our Directors believe that our success depend substantially on our ability to meet our customers' requirements in all respects and that maintaining quality services is vital to enhancing the competitiveness of our Group. To assure our quality excellence, we have established formal quality management system which complies with the ISO 9001:2008 quality standards. For further details of our certifications and awards, please refer to the paragraph headed "Certifications and awards" in this section.

To ensure that our services meet the ISO 9001:2008 quality standards, we have our project managers, project engineers and safety supervisors with relevant certifications and/or academic qualifications to monitor quality of our services. In general, we normally assign:

- at least one project manager and one project engineer for each of our installation project. Depending on the project scale, we may have a safety supervisor.
- at least one project engineer for each alteration and addition works project and each maintenance project.

## BUSINESS

Project managers (and project engineers in the case of alteration and addition works project and maintenance project) are responsible for monitoring the overall work quality, work safety and project progress to ensure that the projects can be completed within the contracted timeframe and estimated budget. Project engineers are also responsible for monitoring the quality of the materials used and the works conducted by subcontractors (if engaged). If our safety supervisor is assigned to a project, the safety supervisor is responsible for assessing the safety risks of the project and ensuring that work safety procedures are adhered to by our employees and by the employees of our subcontractors in conjunction with the safety officers of the main contractors (if any).

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

In respect of the quality of the materials used, we maintain a list of approved suppliers. Please refer to the paragraph headed “Suppliers — Supplier selection” in this section for details of the selection criteria for our suppliers. We generally procure materials from suppliers in the list of approved suppliers to ensure the quality of the materials supplied. If our customers designate a supplier which is not on the list of approved suppliers, we will conduct assessment on such supplier and decide whether to admit the supplier into our list of approved suppliers according to our assessment criteria. Further, we select the materials in accordance with the specifications set out in the relevant contracts with our customers as well as in compliance with all applicable regulatory requirements issued by relevant Government authorities.

Upon identification of the selected materials and their relevant suppliers, we may submit the relevant information of the same to our customers for review and approval. Once we obtain approval from our customers, we will place the purchase orders accordingly. Upon delivery of the materials, the project engineer and representatives of our customer will inspect the materials at the project site to ensure that the materials meet the product specifications as stated in the purchase orders. We will return any defective items to the suppliers for replacement.

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

We maintain a list of approved subcontractors. Please refer to the paragraph headed “Outsourcing” in this section for details of the selection criteria for our subcontractors. We generally engage subcontractors in the list of approved subcontractors to ensure the quality of the subcontracted works.

## BUSINESS

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

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

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

### LICENCES AND QUALIFICATIONS

#### Our Group's licences and qualifications

The following table sets forth details of our licences and qualifications as at the Latest Practicable Date:

Licence/ qualification	Issuing authority	Holder	Major works permitted	Date of grant/ registration	Expiry date
Registered Fire Service Installation Contractor (Class 1)	Fire Services Department	(1) GFE	Install, maintain, repair and inspect fire service installation or equipment which contains an electrical circuit or apparatus for detecting and warning of smoke or fire	(1) 26 June 1979	Not subject to periodic renewal
		(2) GEL		(2) 12 March 2014	
Registered Fire Service Installation Contractor (Class 2)	Fire Services Department	(1) GFE	Install, maintain, repair and inspect fire service installation or equipment which contains pipes and fittings for carrying fire extinguishing medium or electrical apparatuses.	(1) 26 June 1979	Not subject to periodic renewal
		(2) GEL		(2) 12 March 2014	

## BUSINESS

Licence/ qualification	Issuing authority	Holder	Major works permitted	Date of grant/ registration	Expiry date
Registered Specialist Contractor (Sub-register of Ventilation Works Category)	Buildings Department	GFE	Ventilating system works such as installation, inspection and testing of air-conditioning systems	24 June 2015	9 July 2018
Registered Electrical Contractor	Electrical and Mechanical Services Department	(1) GFE	Works in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical installation	(1) 13 April 2016	(1) 11 June 2019
		(2) GEL		(2) 25 March 2015	(2) 29 May 2018
Radioactive Substances Licence	Radiation Board	GFE	Import, convey and sell specified radioactive substances (i.e. Americium-241) in quantities not exceeding the levels as stated in the licence for sale to persons holding valid licences or exemption notifications for the possession of such radioactive substances	5 June 2017	6 August 2018
Approved Suppliers of Materials and Specialist Contractors for Public Works – Fire Services Installations (Group II) <sup>(Note)</sup>	Development Bureau	GFE	Approved for carrying out works in connection with fire services and water pump installation in residential, commercial and institutional buildings	18 August 1992	Not subject to periodic renewal
Registered subcontractor on the Primary Register under the Subcontractor Registration Scheme	Construction Industry Council	GFE	Approved for taking part in building and engineering works for fire service systems	21 July 2016	20 July 2018
Registered Minor Works Contractor	Building Authority	GFE	Type A - Alteration and addition works for Class II & III	27 February 2017	27 January 2020

*Note:* GFE is registered as an approved contractor on the fire service installation category (Group II) of the Specialist List to undertake public works contracts/subcontracts for fire service installation of unlimited value.

## BUSINESS

### Our employees' licences and qualifications

The following table sets forth details of the major licences and qualifications obtained by some of our employees which are currently effective:

Licence/ qualification	Issuing authority	Holder	Major works permitted	Date of grant/ Registration	Expiry date
Registered Fire Service Installation Contractor (Class 3)	Fire Services Department	(1) Mr. Ken Poon	Maintain, repair and inspect portable equipment for extinguishing, attacking, preventing or limiting fires	(1) 27 July 1981	Not subject to periodic renewal
		(2) Mr. Tommy Poon		(2) 7 May 1994	
		(3) Mr. Tang Chi Man		(3) 22 December 2014	
Licensed Plumber (Grade 1)	Water Suppliers Department	(1) Mr. Ken Poon	Construct, install, maintain, alter, repair or remove a fire service or inside service of any type	Not available	(1) 31 December 2018
		(2) Mr. Tommy Poon			(2) 31 December 2018
		(3) Mr. Li Sun Chung			(3) 31 December 2018
		(4) Mr. But Man Yiu			(4) 31 December 2018
Registered Electrical Worker (Grade B)	Electrical and Mechanical Services Department	(1) Mr. Lo Chi Kwok	Covers electrical work on a low voltage fixed electrical installation not exceeding 2500A, single or three phase	(1) 15 September 2016	(1) 14 September 2019
		(2) Mr. Ching Kai Lun		6 May 2016	5 May 2019
Registered Electrical Worker (Grade C)	Electrical and Mechanical Services Department	Mr. Tommy Poon	Covers electrical work on a low voltage fixed electrical installation of any capacity	(2) 23 September 2015	(2) 22 September 2018

*Note:* Apart from the above licences, we have 5 holders of Registered Electrical Worker (Grade A) licence (covers electrical work on a low voltage fixed electrical installation not exceeding 400A, single or three phase), 3 certified workers who can work in confined space under Factories and Industrial Undertakings (Confined Spaces) Regulation, and 8 safety supervisor.

Our Directors confirm that we had obtained all necessary licences, permits, registrations and qualifications required for our business operations in Hong Kong during the Track Record Period and that we did not experience any material difficulties in obtaining and/or renewing such licences, permits, registrations and qualifications that are necessary for our business operations in Hong Kong during the Track Record Period.

To ensure that our Group is able to timely obtain and maintain all the necessary licences, permits, registrations and qualifications for our operations in Hong Kong, our administrative staff are responsible for keeping track of the validity periods of the licences, permits, registrations and qualifications held by our Group and/or our staff and arranging renewal when necessary in a timely manner.

# BUSINESS

## CERTIFICATIONS AND AWARDS

### Certifications

The following table sets forth our major certifications received by us:

Certification/ Accreditation	Current version	Awarding organisation	Year first obtained	Expiry date for current certificate
ISO 9001	ISO 9001:2008	Castco Certification Services Limited	2010	14 September 2018
ISO 14001	ISO 14001:2004	Castco Certification Services Limited	2010	14 September 2018
OHSAS 18001	OHSAS 18001:2007	Castco Certification Services Limited	2010	12 July 2019

GFE was awarded ISO 9001:2008 certification on the quality management system standard, ISO 14001:2004 certification on the environmental management system standard and OHSAS 18001:2007 certification on the occupational health and safety management system standard in relation to the (i) system design, supply, installation and maintenance of fire services and water pump systems; and (ii) supply and installation of heating, ventilation and air-conditioning, plumbing and drainage and low voltage electrical systems.

### Awards

The following table sets forth our major awards and recognitions received by us:

Year(s) awarded	Award	Awarding body/ Award Scheme	Recipient
2004	Subcontractor (Fire Services) Performance Excellence Award 優異表現承判商(消防)嘉許狀	E Man Construction Company Limited (裕民建築有限公司)	GFE
2005	Sunshine City Phase 4 Fire Drill Professional Service Award (新港城四期火警演習專業服務)	Sunshine City Property Management Limited (新港城物業管理 有限公司)	GFE
2005	Subcontractor (Fire Services) Good Performance Award 良好表現承判商(消防)嘉許狀	E Man Construction Company Limited (裕民建築有限公司)	GFE

## BUSINESS

Year(s) awarded	Award	Awarding body/ Award Scheme	Recipient
2006	Subcontractor (Fire Services) Good Performance Award 良好表現承判商 (消防) 嘉許狀	E Man Construction Company Limited (裕民建築有限公司)	GFE
2008	New Works Projects – Outstanding Projects Award (Building) (新工程建造項目 – 傑出項目 – 傑出建築項目)	Housing Authority	GFE
2010	Certificate of Appreciation – “Zero” Injury Performance Subcontractor (「零」意外安全表現承判商 嘉許狀)	Shui On Building Contractors Limited (瑞安承建有限公司)	GFE
2012	Subcontractor (Fire Services) Good Performance Award 良好表現承判商 (消防) 嘉許狀	E Man Construction Company Limited (裕民建築有限公司)	GFE
2016	Certificate of Honour – Best Performance in the second Assessment of Occupational Safety Management (第二次之最佳安全表現 分判商嘉許狀)	Chun Yip Construction Company Limited (晉業建築有限公司)	GFE

### ENVIRONMENTAL MATTERS

Our Group’s operations are subject to environmental protection laws and regulations promulgated by the government of Hong Kong. For details, please refer to the section headed “Regulatory overview” in this prospectus. Further, our Directors believe that we should conduct all our services in an environmentally responsible manner, and also meet our customers’ demand in environmental protection and the expectation of the community for a healthy living and working environment. In view of this, we have set up an environmental management system, which was accredited by Castco Certification Services Limited with ISO 14001:2004, to promote environmental awareness and to prevent pollution of the environment resulting from our work.

Some of our environmental protection measures include (i) ensuring our commitment to regulatory compliance and our compliance with industry best practices from an environmental perspective in undertaking our activities; and (ii) identifying what activities may result in significant impact to the environment and ensuring that those significant environmental aspects are taken into account in our work planning. Our project managers are responsible for ensuring that our environmental management system is established, implemented and maintained, and also that our staff, our subcontractors and their workers comply with our environmental protection policy by providing related training and/or experience sharing to them.



## BUSINESS

During the Track Record Period, we did not incur significant amount of expenses in compliance with applicable rules and regulations for environmental matters. Our Directors expect that there will be not material change on the annual cost of compliance going forward. Further, our Group will devote operating and financial resources to environmental compliance whenever it is required by the Hong Kong laws to do so in the future.

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

### EMPLOYEES

#### Number of employees by function

As at 31 March 2016, 31 March 2017 and the Latest Practicable Date, we had a total of 70, 84 and 86 full-time employees respectively. All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of our Group's, including GEL, employees by function as at the corresponding date:

	As at 31 March		As at the Latest Practicable Date
	2016	2017	
Management	5	5	5
Administration	6	7	16
Accounting and finance	15	15	10
Project teams	19	21	32
Maintenance and A&A teams	25	36	23
<b>Total</b>	<b>70</b>	<b>84</b>	<b>86</b>

#### Recruiting and staff training

We generally recruit our employees from the open market by placing recruitment advertisements. We endeavour to attract and retain appropriate and suitable personnel to serve our Group by competitive wages and benefits, focused training and internal promotion prospects. Our department heads assess the available human resources of their respective departments on a continuous basis and determine whether additional personnel are required to cope with the business development of our Group.

We believe our employees are the most valuable resources to achieve our success and therefore, we provide various trainings, such as work safety training, technical knowledge and skills training and legal compliance workshops, to ensure the quality of our employees at all levels and to enhance their work performance. Training sponsorship is also offered to our employees for acquiring related industry qualifications.

### **Remuneration and retention**

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration package offered to our employees generally includes salary and discretionary bonus. Our employees also receive welfare benefits, including training sponsorship. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-job training and promotion prospects. We review the performance of our employees on an annual basis and make reference to such performance reviews in our salary and discretionary bonus review and promotional appraisal in order to attract and retain talented employees.

Our staff costs, including salaries and other employee's benefits, amounted to approximately HK\$11.8 million, HK\$14.9 million and HK\$5.6 million for each of the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, which accounted for approximately 9.6%, 9.2% and 8.4% of our revenue for the relevant year, respectively.

### **Relationship with employees**

During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Group nor had we experienced any significant problems with our employees or disruption to our operations due to labour disputes. Our Directors believe that we have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

## **OCCUPATIONAL HEALTH AND WORK SAFETY**

### **Safety management**

Due to the nature of our industry, incidents at the worksites may have detrimental effects on the health and safety of our workers. Our Directors are of the view that safety management is a vital part of our business as some of our projects may involve high-risk activities such as carrying out installation works which exposes our employees to electrical hazards, at heights or in confined space. As such, safety is treated as our top priority during the delivery of our services. We have adopted and implemented occupational health and safety procedures and measures for our business operations. Summarised below are the key aspects of our safety measures:

- ensuring our employees possess relevant safety permits/registrations for carrying out high-risk activities;
- proper procedures for carrying out different types of works, such as lifting of heavy objects and use of electrical devices, and for operating and handling different types of equipment;
- regular worksite inspection by our safety supervisors to ensure the relevant safety requirements are met;
- compliance of applicable laws, regulations, industry standards and practices;
- promotion of workplace safety awareness amongst our employees and subcontractors through regular education and training; and
- continual improvement and prevention of accidents/incidents.

For every project, our on-site safety supervisor will ensure that workplace safety procedures are adhered to by our employees and by the employees of our subcontractors in conjunction with the safety officers of the main contractors.

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

We maintain proper guidelines and procedures for handling and recording accidents and injuries of both our employees and our subcontractors' workers. For works carried out at construction sites, we generally observe the guidelines of the main contractors in handling accidents and injuries and our on-site project engineers would report any accidents or injuries of our employees and employees of our subcontractors to the main contractors as well as our administration department. For maintenance work where there is no main contractor, our on-site engineering staff would report any accidents or injuries of our employees and employees of our subcontractors to our customers and our administration department.

Our administration department would notify the insurance companies and/or the Labour Department in accordance with the procedures required by law or the relevant insurance policies. Our administration department is also responsible for keeping records of information on all accidents and injuries of our employees or employees of our subcontractors, including the identity of the injured parties, the time and causes of accidents, and details of injuries.

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

**INSURANCE**

We have taken out the insurance policies as set out below in respect of our operations. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, the total insurance expenses paid by us amounted to approximately HK\$1.1 million, HK\$1.6 million and HK\$0.5 million, respectively.

**Employees' compensation insurance**

For our employees, we maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance to cover compensation and costs liable by our Group for personal injuries of our employees in the course of employment with us.

**Contractors' all risk insurance**

Contractors' all risk insurance policies cover public liability of bodily injury or property damage claim arising from or related to the provision of services and caused by our negligent acts or omissions, its employees. Depending on project scope and the contract specifications, our Group may be responsible for taking out the contractors' all risk insurance policies for our employees. Such insurance policies generally extend throughout the entire period of a contract, including the defect liability period following completion of a project.

**Other insurance coverage**

We also maintain other insurance policies covering (i) our liabilities for claims made by third parties for injuries to persons, or for damage to properties caused as a result of our business activities, (ii) physical loss or damage of our office content and additional expenditure incurred resulting from business interruption as a result of loss of or damage to property insured, and (iii) damage to our motor vehicles and/or third-party liabilities in relation to the use of our motor vehicles.

Taking into account the prevailing industry practice and our current operations, our Directors consider that our insurance coverage is adequate and consistent with the industry norm in Hong Kong. Our Directors also confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not made nor been subject of any material insurance claim.

## **MARKET AND COMPETITION**

According to the F&S Report, there were 365 fire service installation contractors in Hong Kong as of June 2017 and the fire safety service market in Hong Kong was relatively fragmented with the top ten players contributing to 16.6% of the entire market in terms of revenue in 2016. The gross value of the fire safety service market in Hong Kong amounted to HK\$14,050.6 million in 2016 and our market share was about 1.1%.

The industry has comparatively high entry barriers due to the need to (i) establish track record of experience and quality services; (ii) meet the capital requirements; and (iii) establish and maintain relationships with industry players.

For further details, please refer to the section headed “Industry overview” in this prospectus. Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in the industry in Hong Kong. For details of our competitive strengths, please refer to the paragraph headed “Competitive strengths” in this section.

## **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, we had registered three trademarks, had made two applications for registration of trademarks and had registered the domain name [www.guardianhk.com](http://www.guardianhk.com) and [www.vistarholdings.com](http://www.vistarholdings.com). Details of our intellectual property rights are set out in the section headed “Statutory and general information — B. Further information about our business — 2. Intellectual property rights” in Appendix V to this prospectus.

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

## **PROPERTIES**

As at the Latest Practicable Date, we do not own any property in Hong Kong and leased the following properties in Hong Kong:

<b>Address</b>	<b>Saleable area (square feet)</b>	<b>Lessor</b>	<b>Key terms of the tenancy</b>	<b>Usage</b>
Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong ( <i>Note</i> )	2,937	Vistar Alliance Limited	Tenancy period from 16 January 2018 to 31 March 2020, with monthly rental of HK\$43,800	Workshop

## BUSINESS

Address	Saleable area <i>(square feet)</i>	Lessor	Key terms of the tenancy	Usage
Workshop No. 37 on the 9th Floor of Sino Industrial Plaza, No. 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong	395	Wu Limei, an Independent Third Party	Tenancy period from 16 July 2016 to 15 July 2018, with monthly rental of HK\$6,500	Workshop
Flat G, 9th Floor (also known as Room 907) of Universal Commercial Building, No. 65-69 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong	430	Bon Tai Investment Limited, an Independent Third Party	Tenancy period from 17 May 2017 to 16 May 2019, with monthly rental of HK\$18,931.5	Ancillary office for GEL

*Note:* Before the commencement of tenancy, the property had been owned by our Group for approximately 26 years since March 1991, until it was disposed in January 2018 to a company owned by the existing Shareholders, at a consideration of HK\$13.3 million which will generate a gain on disposal in the amount of approximately HK\$13.3 million in our Group's financial statements for the year ending 31 March 2018. The estimated gain on disposal was calculated based on the disposal price and the carrying amount of the property of HK\$0 as at 31 March 2017. The disposal price of HK\$13.3 million was determined by a valuation of the property as at 30 April 2017 conducted by an independent valuer. The consideration was set off by the balance due to the existing Shareholders. The property was leased back to our Group for our use at an arm's length rental cost. As per rental opinion letter issued by the independent valuer, the fair rental of the abovementioned property ranges from HK\$39,600 to HK\$43,800 per month, representing approximately 0.02% of the total revenue of the enlarged Group, which is considered as minimal to the Group, and that the current rental fee falls within the said range. The tenancy constitutes an exempt continuing connected transaction for our Company under the GEM Listing Rules. For further details, please refer to the section headed "Continuing connected transactions — Exempt continuing connected transactions" in this prospectus. The purchaser agreed to grant us right of first offer in the event that they wish to sell the property to third party in the future, hence the Group will have first right to repurchase the property at market value.

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

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Claims settled, pending or threatened against our Group

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

#### Regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in Hong Kong in all material respects.

**Non-compliance incidents of our Group during the Track Record Period and as at the Latest Practicable Date**

*Non-compliance in relation to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”)*

Historical non-compliance	Reasons for non-compliance	Remedial actions	Legal consequences and potential maximum penalty/fine for the relevant member of our Group or its directors	Control measures adopted to prevent recurrence
<p>1. Guardian Fire Engineers and Consultants failed to give the required notice (Form 56E) under section 52(4) of the IRO to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual concerning 29 employees during the Track Record Period and up to the Latest Practicable Date.</p> <p>Guardian Fire Engineers and Consultants and Guardian Engineering failed to give the required notice (Form 56F) under section 52(5) of the IRO to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual concerning 29 employees during the Track Record Period and up to the Latest Practicable Date.</p>	<p>The omission was caused by an inadvertent oversight on the part of management of GFE of the relevant legal requirements under the IRO (sections 52(4) and 52(5) of the IRO).</p>	<p>Guardian Fire Engineers and Consultants and Guardian Engineering already filed the relevant Form 56E on 26 May 2017 and Form 56F on 31 March 2015, 15 August 2015, 11 September 2015, 15 December 2015, 15 December 2016, 15 February 2017, 28 March 2017, 24 April 2017, 25 May 2017, 26 May 2017, 15 June 2017, 16 June 2017, 26 June 2017, respectively, with the Inland Revenue Department.</p>	<p>Under section 80 of the IRO, any person without reasonable excuse fails to comply with section 52(4) or 52(5) of the IRO shall be guilty of an offence and the maximum penalty for each offence is HK\$10,000.</p>	<p>Starting from June 2017, our finance manager has been supervising the staff responsible for filing Form 56E and Form 56F with the Inland Revenue Department (“IRD”). The written policy and procedures monitoring the submission of Form 56E and Form 56F was established by the Group on 1 July 2017. For each newly employed staff, a Form 56E has to be filed to the IRD not later than three months after the date of commencement of his employment. For each resigned staff, a Form 56F has to be filed to the IRD not later than one month before the cessation of his employment.</p>
		<p>As advised by our Legal Counsel, as the notices have already been rectified by filing the same with the Inland Revenue Department, the non-compliance is not material as no party has been prejudiced. The likelihood of prosecution is minimum and the liability of GFE, GEL and their respective Directors is remote and can be disregarded.</p>		<p>For further details of our adopted internal control measures, please refer to the paragraph headed “Internal Control and Corporate Governance” below.</p>
				<p>The Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or our officers, nor has any of them been subject to any fine or penalty relating to the non-compliance with sections 52(4) and 52(5) of the IRO. Consequently, no provision has been made in our financial statements in respect of potential liabilities of the non-compliance incidents.</p>

*Non-compliance in relation to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “EO”)*

	<b>Historical non-compliance</b>	<b>Reasons for non-compliance</b>	<b>Remedial actions</b>	<b>Legal consequences and potential maximum penalty/fine for the relevant member of our Group or its directors</b>	<b>Control measures adopted to prevent recurrence</b>
2.	<p>Under section 23 of the EO, wages shall become due on the expiry of the last day of the wage period and shall be paid as soon as is practicable by in any case not later than seven days thereafter.</p> <p>There was one incident of late payment of wage by GFE to one employee in one particular month. Such wage due has already been paid eight days after the wage period.</p>	<p>The late payment of wage for one day was due to the early resignation of that employee before the usual wage period settlement date and was overlooked by GFE.</p> <p>The omission was not wilful but was caused by an inadvertent oversight of our staff. Our Directors had no direct or wilful involvement in the breach.</p>	<p>Under section 25A of the EO, if any wages are not paid within seven days from the day on which they become due, the employer shall pay interest at the rate specified at the judgment rate as determined by notice of the Chief Justice, which is currently 8% per annum, on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment.</p> <p>GFE paid the interest accrued by reason of the late payment to the employee as a rectification action on 17 July 2017.</p>	<p>Under section 63C of the EO, if any employer who wilfully and without reasonable excuse contravenes section 23 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for three years.</p> <p>As advised by our Legal Counsel, the inadvertent oversight was not wilful and GFE did not contravene section 23 of the EO. There is no real risk of prosecution and the liability of GFE and its directors is remote and can be disregarded.</p>	<p>Starting from 1 July 2017, our accounting staff has been responsible for the calculation of the final payment for each resigned staff. Our finance and administration manager is responsible for approval of the calculation of the final payment and supervising our accounting staff for the preparation of the cheque for each resigned staff not later than seven days after his wage period. A standard handover form is used to list out all the handover procedures that each resigned staff should perform before his last working date, including the receipt of the final payment. Each resigned staff is required to sign on the handover form as the acknowledgement of the cheque being received.</p>

For further details of our adopted internal control measures, please refer to the paragraph headed “Internal Control and Corporate Governance” below.

### **Views of our Directors and the Sponsor**

As set out in the paragraphs headed “Health and Work Safety”, “Environmental Matters”, “Internal control and corporate governance” and “Legal proceedings and compliance — Non-compliance incidents of our Group during the Track Record Period and as at the Latest Practicable Date” in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sponsor concurs, that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors consider, and the Sponsor concurs, that the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Group under Rule 11.06 of the GEM Listing Rules, having taken into account the fact that (i) we have taken various internal measures to avoid recurrence of non-compliance incidents; and (ii) the above non-compliance incidents were unintentional and inadvertent and did not involve any fraudulent act on the part of our Directors and the non-compliance incidents did not undermine the integrity of our Executive Directors.

### **INTERNAL CONTROL AND CORPORATE GOVERNANCE**

#### **Internal control measures to prevent recurrence of non-compliance incidents**

In order to achieve high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and to prevent recurrence of non-compliance incidents, we intend to adopt or have adopted the following measures:

- our Directors attended training sessions provided by our legal advisers as to Hong Kong laws on applicable laws and regulations in Hong Kong on 3 July 2017 and 6 July 2017, including the GEM Listing Rules and will continue to do so on a continuing basis;
- independent non-executive Directors are appointed to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Company;
- we will establish an audit committee, which will set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- we will oversee our compliance matters from and seek timely legal advice from external professional advisers where necessary;



## BUSINESS

- we have designated our human resources and administration department to be responsible for the preparation and submission of Form IR56E and Form IR56F to the Commissioner of Inland Revenue as well as the payment of salary to leaving staff within the prescribed time limits in accordance with the requirements of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and Employment Ordinance (Chapter 57 of the Laws of Hong Kong) to avoid any non-compliance in the future;
- the site managers report the accidents to the Labour Department pursuant to the Employee's Compensation Ordinance and maintain a register of the accidents and circulate the register to the executive Directors timely;
- our Executive Director and compliance officer, Mr. Ken Poon, is responsible for the day-today compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified on a timely basis and, if necessary, consult external professional for advice to address to the potential issue; and
- we have engaged Kingsway Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **CONTROLLING SHAREHOLDERS**

Immediately following completion of the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), (i) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, will directly hold approximately 34.9% of the Shares in issue; (ii) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, will directly hold approximately 32.6% of the Shares in issue. Accordingly, Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon will be our controlling shareholders within the meaning of the GEM Listing Rules.

### **Competing Interests**

Save and except for their respective interest in our Company, none of our Controlling Shareholders, Directors, substantial shareholders nor any of their respective associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group during Track Record Period and as at the Latest Practicable Date and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### **Undertakings**

Our Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 13.16A of the GEM Listing Rules) to our Company, the Stock Exchange, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters. Please refer to the paragraphs headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Undertakings to the Public Offer Underwriters — Undertakings by our Controlling Shareholders” in this prospectus for further details.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors consider that we are capable of carrying its business independent of our Controlling Shareholders and their respective associates following the Listing.

### **Management independence**

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Save as disclosed in the section headed “Directors and Senior Management” in this prospectus, there is no other relationship among the Directors.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Notwithstanding that Mr. Ken Poon, Mr. Tommy Poon and Mr. Ng Kwok Wai, the executive Directors, and Ms. Odilia Poon, the non-executive Director, are our Controlling Shareholders, the Directors are of the view that our Company is capable of maintaining management independence as:

- our Group's strategies, management, operations and affairs are formulated, led, managed and/or supervised by the Board and not by any individual Director. All major and important corporate actions of our Company are and will be fully deliberated and determined by the Board collectively and objectively as a collective body;
- pursuant to the terms of the service contracts entered into between our Company and the executive Directors, every executive Director is required to devote substantially the whole of his time, attention and abilities during normal business hours and such additional hours as may reasonably be requisite to the Group;
- in the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by the Board, the interested Director(s) shall abstain from voting at the relevant meeting of the Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules;
- we have three independent non-executive Directors, who are not associated with our Controlling Shareholders or their respective associates. Resolutions of the Board approving any matters in which any of the executive Directors has a potential conflict of interest and/or material interest will, only be considered and approved by the independent non-executive Directors (as under the provisions of the Articles and the GEM Listing Rules, the executive Directors will then be prohibited from voting on the resolution(s) and will not be counted towards the quorum of the relevant Board meetings at which the relevant resolution(s) is/are approved). The independence of our Board's decisions in respect of any matters in which any of the Group's executive Directors has a potential conflict of interest and/or material interest is and can be ensured;
- our Company has established corporate governance procedures in safeguarding the interests of the shareholders and enhancing shareholders' value. Each Director is fully aware of his/her fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the applicable Articles and the GEM Listing Rules; and
- our Board from time to time delegates certain functions to, and is assisted by its senior management in the implementation of the business plan and strategy as laid down by the Board. The day-to-day management and operations of the Group is operated independently from the influence of our Controlling Shareholders and their respective associates.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **Operational independence**

Our Group has its own organisational structure made up of divisions including management and administration, finance and accounting, sales and marketing and other divisions. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our Group's business.

We have independent access to sources of suppliers or materials necessary for the operation of its business as well as customers which are all Independent Third Parties. All our operating subsidiaries of our Company hold the licences necessary for the operation of our Group's business in their own names.

### **Financial independence**

We have established a financial system (including bank accounts) that operate independently. In addition, we have an independent internal control and accounting systems and also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As at the Latest Practicable Date, our Group's banking facilities were guaranteed by, inter alia, Mr. Ken Poon and will be released before the Listing and replaced by corporate guarantee to be issued by our Company. As at the end of each of the Track Record Period, unless stated otherwise, our Group's bonding lines granted by the financial institutions are secured by, inter alia, personal guarantee of Mr. Ken Poon and will be released and replaced by corporate guarantee provided by our Company upon Listing. For details, please refer to the section headed "Financial Information" in this prospectus. The director's loan due to each of Mr. Ken Poon and Ms. Leung To Hong as at 30 November 2017 was approximately HK\$6.6 million and HK\$4.3 million, respectively, which will be settled before the Listing. In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders or their respective associates.

Based on the above, our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders, Directors, related parties or any of their respective associates in the operation of its business.

### **DEED OF NON-COMPETITION**

Our Controlling Shareholders (except for Unity Trust which entered into the deed solely in its capacity as trustee of Alderhill Trust) have entered into the Deed of Non-competition in favour of our Company pursuant to which each of our Controlling Shareholders has undertaken to us (for ourselves and for the benefit of our subsidiaries) that with effect from the Listing Date, they would not and would procure that none of their associates (except for any members of the Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group in Hong Kong or such other places as our Group may conduct or carry on business from time to time including but not limited to the installation, alteration and addition works and maintenance of fire service systems (the “**Restricted Business**”).

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the Listing Date, in the event that any of them and/or any of their associates (except any members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly, compete with the Restricted Business (the “**Competing Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, they:

- shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to come to an informed assessment of such Competing Business Opportunity; and
- shall not, and shall procure their associates (other than members of our Group) not to, invest or participate in any project or the Competing Business Opportunity unless such project or the Competing Business Opportunity has been rejected by our Company and in respect of such projects and Competing Business Opportunity invested or participated in, the principal terms on which our Controlling Shareholders or their respective associates shall invest or participate are no more favourable than those made available to our Company.

Each of our Controlling Shareholders has further undertaken to our Company (for itself and for the benefit of its subsidiaries) that, with effect from the Listing Date, they shall not and shall procure that none of their associates (except for any members of our Group) shall directly or indirectly:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or to reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The above undertakings do not apply where our Controlling Shareholders and/or their respective associates have interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by our Controlling Shareholders and/or their respective associates in aggregate shall not exceed 10% of the issued shares of that class of the company in question, (b) our Controlling Shareholders and their respective associates are not entitled to appoint a majority of the directors of that company, and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate.

Furthermore, our Controlling Shareholders have undertaken that they will use their best endeavours and will procure their associates (except for members of our Group) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except for those within our Group), to observe the restrictions and undertakings contained in the Deed of Non-competition.

Our Controlling Shareholders represented and warranted that, as of the date of the Deed of Non-competition, none of them or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through the Group or is otherwise engaged in any business which is in competition or material competition to those of our Group.

Under the Deed of Non-competition, our Controlling Shareholders further undertake to and covenant with our Company (for ourselves and for the benefit of our subsidiaries) that during the period for which the Deed of Non-competition is in force:

- they shall allow, and shall procure that the relevant associates (excluding members of the Group) to allow the independent non-executive Directors to review, at least on an annual basis, whether our Controlling Shareholders are in compliance with the Deed of Non-competition;
- they shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement to the public; and
- they shall provide our Company with a confirmation annually for inclusion by our Company in the annual report, in respect of their compliance with the terms of the Deed of Non-competition.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

The undertakings given by each of our Controlling Shareholders under the Deed of Non-competition shall lapse and our Controlling Shareholders shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- the day on which the Shares cease to be listed on the Stock Exchange;
- the day on which the relevant Controlling Shareholder and/or his/its associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Controlling Shareholder ceases to be a controlling shareholder of our Company; or
- the day on which the relevant Controlling Shareholder beneficially owns or is interested in the entire issued share capital of our Company.

### **CORPORATE GOVERNANCE MEASURES**

To further protect the interests of the minority Shareholders of our Company, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders undertakes to provide all information requested by us which is necessary for fulfilment of the Deed of Non-competition, including the annual review by the independent non-executive Directors;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with the Deed of Non-competition in our Company's annual reports;
- our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company;
- in the event that there is conflict of interest in the operations of our Group and our Controlling Shareholders, any Directors, who is considered to be interested in a particular matter or the subject matter, shall disclose his interests to the Board. Pursuant to the Articles of Association, if a Director has any material interest in the matter, he shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting;
- our independent non-executive Directors may appoint independent financial advisers 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 our Company;
- our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or its/his close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- our Directors will ensure that any material conflict or potential conflict involving our Controlling Shareholders will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is known to our Controlling Shareholders involved and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities; and
- our Group has appointed Kingsway Capital Limited as its compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors and Senior Management — Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or 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.



## CONTINUING CONNECTED TRANSACTIONS

### EXEMPT CONTINUING CONNECTED TRANSACTION

1. Following the Listing, our Group will continue the transaction below with the relevant connected persons of our Company which will constitute exempt continuing connected transaction for our Company under the GEM Listing Rules.

**(a) Description of the transaction**

Pursuant to the lease agreement (the “**Lease Agreement**”) entered into between Vistar Alliance Limited owned as to 50% by Mr. Ken Poon and 50% by Mr. Tommy Poon, respectively (the “**Lessor**”) and GFE (the “**Lessee**”) dated 22 January 2018, the Lessor has agreed to lease Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong (the “**Premises**”) of approximately 2,937 square feet to the Lessee for a term of not more than three years commencing from 16 January 2018 and up to 31 March 2020 at a monthly rental of HK\$43,800.

**(b) Connected persons**

As at the Latest Practicable Date, Mr. Ken Poon and Mr. Tommy Poon, being our executive Directors and Controlling Shareholders, owned as to 50% and 50% of the total issued share capital of the Lessor, respectively. Accordingly, the Lessor is an associate of Mr. Ken Poon and Mr. Tommy Poon and hence, a connected person of our Company under Rule 20 of the GEM Listing Rules. As such, the lease contemplated under the Lease Agreement constitutes a continuing connected transaction of our Company.

**(c) Historical transaction amounts and annual caps on future transaction amounts**

Since the Lease Agreement is a new transaction with effect from the Listing Date, there are no historical amounts for this transaction.

The annual rental payable by the Lessee to the Lessor for each of the financial years ending 31 March 2018, 2019 and 2020 is not expected to exceed HK\$525,600. In arriving at the above annual caps, our Directors have considered the prevailing market rates, namely the rental payable for similar properties to be leased by an Independent Third Party of similar locations.

**(d) Implications under the GEM Listing Rules**

Each of the relevant percentage ratios (other than the profits ratio) on annual basis calculated for purpose of Chapter 20 of the GEM Listing Rules and as our Directors currently expect, will not exceed 5% and the annual consideration will not exceed HK\$3,000,000. As such, the lease under the Lease Agreement constitutes a de minimis transaction and accordingly, is exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 20.74(1) of the GEM Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

### (e) **View of independent valuer**

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), an independent valuer has issued an opinion regarding the fairness of the rental payable by our Group for the lease of the Premises under the Lease Agreement. JLL is of the opinion that the rental payable by our Group for the lease of the Premises under the Lease Agreement represents the market rental and the terms of the Lease Agreement are fair, reasonable and on normal commercial terms.

### (f) **Confirmations of our Directors and the Sponsor**

Having considered JLL’s opinion that the rental payable by our Group for the lease of the Premises under the Lease Agreement represents market rental, our Directors (including our independent non-executive Directors) and the Sponsor are of the view that lease as contemplated under the Lease Agreement (i) had been entered into in the ordinary and usual course of business, and is on normal commercial terms, (ii) the proposed annual caps for the transactions under the Lease Agreement are fair and reasonable, and in the interests of our Company and the Shareholders as a whole.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

2. Following the Listing, our Group will continue the transaction below with the relevant connected persons of our Group which will constitute non-exempt continuing connected transaction for our Company under the GEM Listing Rules (the “**Non-exempt Continuing Connected Transaction**”) but is expected to cease to be a continuing connected transaction on 12 February 2018.

### (a) **Description of the transaction**

Prior to the Listing, our Group, through GFE, has been subcontracting the alteration and addition works and maintenance of fire service systems (the “**Services**”) to Ying Fai Co., Limited (“**Ying Fai**”), a company incorporated in Hong Kong, wholly-owned by Wai Po Fire Engineering Inc. (“**Wai Po**”), a company incorporated in BVI and in turn, wholly-owned by Mr. Tong Bill, based on terms and conditions agreed between Ying Fai and us as and when the Services were required by us from Ying Fai.

Pursuant to a framework agreement dated 24 January 2018 entered into between Ying Fai and GFE in its ordinary course of business (the “**Framework Agreement**”), Ying Fai has agreed to provide the Services to GFE on an order-by-order basis and on normal commercial terms or on terms no more favourable than those offered by Ying Fai to Independent Third Parties for similar services. The term of the Framework Agreement is effective from the Listing Date to 12 February 2018. We will request services from Ying Fai by sending service orders to Ying Fai as and when we require the Services from Ying Fai.

## CONTINUING CONNECTED TRANSACTIONS

### **(b) Connected persons**

Mr. Tong Bill was a director of our subsidiary, GFE, until 13 February 2017. Accordingly, he is our connected person by virtue of Rule 20.07(2) of the GEM Listing Rules. As Ying Fai is wholly-owned by Wai Po, in turn is wholly-owned by Mr. Tong Bill, Ying Fai is an associate of Mr. Tong Bill and hence, a connected person of our Company under Rule 20 of the GEM Listing Rules. As such, the transaction contemplated under the Framework Agreement constitutes a continuing connected transaction of our Company.

### **(c) Historical transaction amounts and annual cap on future transaction amounts**

The historical amounts of the service fees paid by our Group to Ying Fai was approximately HK\$9.7 million, HK\$7.2 million, HK\$2.4 million and HK\$3.2 million for the year ended 31 March 2016, for the year ended 31 March 2017, for the four months ended 31 July 2017 and for the period from 1 August 2017 to the Latest Practicable Date, respectively.

The above transaction will cease to be a continuing connected transaction on 12 February 2018 for the reasons set out below. In any event, our Directors expect that the service fee payable by GFE to Ying Fai for the period from 1 April 2017 to 12 February 2018 is not expected to exceed HK\$8.0 million. In arriving at the above annual cap, our Directors have considered (i) the average historical transaction amounts of approximately HK\$9.7 million and HK\$7.2 million for the years ended 31 March 2016 and 31 March 2017, and (ii) the estimated services to be obtained by our Group from Ying Fai based on the estimated project works for the period from 1 April 2017 to 12 February 2018.

As at the Latest Practicable Date, there were 21 on-going alteration and addition works and 33 maintenance services subcontracted to Ying Fai by our Group with an estimated service fees of approximately HK\$0.8 million and HK\$1.6 million paid and payable respectively to Ying Fai.

### **(d) Implications under the GEM Listing Rules**

Certain of the relevant percentage ratios (other than the profits ratio) on annual basis calculated for purpose of Chapter 20 of the GEM Listing Rules and as our Directors currently expect, will be more than 5% but less than 25% and the annual consideration will be less than HK\$10,000,000. As such, the service under the Framework Agreement is subject to the reporting, announcements and annual review requirements but exempt from the circular (including independent financial advice) and the shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

In any event, the above transaction will cease to be a continuing connected transaction on 12 February 2018 when Mr. Tong Bill (and hence, Ying Fai), who is a connected person of our Group by virtue of him being a director of GFE in the past 12 months under Rule 20.07(2) of the GEM Listing Rules, ceases to be a connected person of our Group when the above 12-month period expires on 12 February 2018.

## CONTINUING CONNECTED TRANSACTIONS

**(e) Application for waivers**

As the Non-exempt Continuing Connected Transaction will continue after the Listing until 12 February 2018 and the Framework Agreement for the Non-exempt Continuing Connected Transaction was entered into prior to the Listing Date, our Directors (including our independent non-executive Directors) consider that strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules would be impractical and would add unnecessary administrative costs to our Company. Accordingly, we have, pursuant to Rule 20.103 of the GEM Listing Rules, applied for, and the Stock Exchange has agreed to grant, a waiver with respect to the Non-exempt Continuing Connected Transaction from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules.

**(f) Confirmations of our Directors and the Sponsor**

Our Directors (including our independent non-executive Directors) and the Sponsor are of the view that service as contemplated under the Framework Agreement (i) had been entered into in the ordinary and usual course of business and is on normal commercial terms, and (ii) the proposed annual cap for the transaction under the Framework Agreement are fair and reasonable, and in the interests of our Company and the Shareholders as a whole.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 meetings of any other member of our Group:

### Interests in our Company

Name	Capacity/Nature of interest	Number of underlying Shares (Note 1)	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer (Note 2)
Success Step (Notes 3 and 4)	Beneficial owner	418,500,000	34.9%
	Holder of equity derivative	90,000,000	7.5%
		508,500,000	42.4%
Mr. Ken Poon (Notes 3 and 4)	Interest in a controlled corporation	508,500,000	42.4%
Ms. Deng Anna Man Li (Note 5)	Interest of spouse	508,500,000	42.4%
Noble Capital (Notes 4 and 6)	Beneficial owner	391,500,000	32.6%
	Holder of equity derivative	90,000,000	7.5%
		481,500,000	40.1%
Trust Holding Company (Notes 4 and 6)	Interest of a controlled corporation	481,500,000	40.1%
Unity Trust (Notes 4 and 6)	Trustee of trust	481,500,000	40.1%
Mr. Tommy Poon (Notes 4 and 6)	Settlor and beneficiary of a discretionary trust	481,500,000	40.1%

## SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of interest	Number of underlying Shares (Note 1)	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer (Note 2)
Ms. Lau Sze Mun Charmaine (Note 7)	Interest of spouse	481,500,000	40.1%
Legend Advanced (Note 8)	Beneficial owner	90,000,000	7.5%
Ms. Odilia Poon (Note 8)	Interest in a controlled corporation	90,000,000	7.5%
Mr. Roberts Christopher John (Note 9)	Interest of spouse	90,000,000	7.5%

*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme).
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, will directly hold 418,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 4 below. Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 Shares which Success Step is deemed to be interested in.
- (4) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.
- (5) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the Shares held by Mr. Ken Poon.
- (6) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, will directly hold 391,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 4 above. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.

## SUBSTANTIAL SHAREHOLDERS

- (7) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Tommy Poon. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in the Shares held by Mr. Tommy Poon.
  
- (8) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, will directly hold 90,000,000 Shares after the completion of the Share Offer.
  
- (9) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the Shares held by Ms. Odilia Poon.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 meetings of any other member of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board consists of seven Directors including three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information relating to the Directors:

Name	Age	Date of Appointment as Director	Date of Joining our Group	Position/ Title	Roles and Responsibilities	Relationship with other Directors/ Senior Management
Mr. Ken Poon (潘正強)	60	27 June 2017	27 August 1981	Chief Executive Officer, Chairman, and Executive Director	Overseeing and managing the projects of the Group, Chairman of our Nomination Committee and member of Remuneration Committee	Mr. Ken Poon is the brother of Mr. Tommy Poon and Ms. Odilia Poon
Mr. Tommy Poon (潘正榮)	50	27 June 2017	6 July 1991	Executive Director	Overseeing and managing the projects of the Group	Mr. Tommy Poon is the brother of Mr. Ken Poon and Ms. Odilia Poon
Mr. Ng Kwok Wai (吳國威)	50	27 June 2017	10 March 1998	Executive Director	Overseeing and managing the projects of the Group	None
Ms. Odilia Poon (潘錦儀)	57	27 June 2017	23 December 1986	Non-executive Director	Overseeing management and strategic planning of our Group	Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Tommy Poon



## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of Appointment as Director	Date of Joining our Group	Position/ Title	Roles and Responsibilities	Relationship with other Directors/ Senior Management
Dr. Wong Kam Din (王金殿)	59	24 January 2018	24 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board; Chairman of our Remuneration Committee, member of our Audit Committee and our Nomination Committee	None
Mr. Yung Chung Hing (翁宗興)	57	24 January 2018	24 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board; Chairman of our Audit Committee and member of our Remuneration Committee	None
Mr. Lam Chung Wai (林仲煒)	38	24 January 2018	24 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board; member of our Audit Committee and our Nomination Committee	None

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Name	Age	Date of Joining our Group	Position/Title	Roles and Responsibilities	Relationship with other Directors/ Senior Management
Mr. Lee Siu Ki (李兆琪)	31	1 June 2007	Project Manager	Overseeing and managing the projects of the Group	None
Mr. Yu Fat Shing (余發成)	45	2 December 2004	Project Manager	Overseeing and supervising engineering work in our projects	None
Mr. Lo Chi Kok (盧自覺)	53	18 April 1988	Drafting Department Manager	Overseeing preparation, planning, and system design of projects	None

### EXECUTIVE DIRECTORS

**Mr. Poon Ken Ching Keung (潘正強)**, aged 60, being one of our Controlling Shareholders, was appointed as our managing director on 25 March 2011 and appointed as our executive Director on 27 June 2017, and appointed as the chief executive officer of our Company and the Chairman of our Company on 17 July 2017. Mr. Ken Poon is responsible for our Group's overall management, corporate development, and strategic planning. He has also been a director of GFE since August 1991 and a director of GEL since June 2000. He graduated from the University of Regina in Canada with a bachelor's degree in Administration in May 1981. He obtained his professional qualification as a certified management accountant in October 1985 from the Society of Management Accountants of Alberta, Canada. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department of Hong Kong since July 1981. He is a Licensed Plumber (Grade 1) licenced by the Water Supplies Department.

Mr. Ken Poon has over 29 years of experience in the fire services and water pump installation services. From 1981 to 1983, Mr. Ken Poon served as the assistant to deputy general manager of GFE, during which he was responsible for project planning and general management. He was a controller of Kart Gardens International Inc., (a company primarily engaged in providing entertainment motor racing facilities), from 1984 to 1987 and regional financial controller of Canadian Telecommunication Group Inc., Alberta Canada (a company primarily engaged in telecommunication services) from 1987 to 1988. During both periods, he was responsible for operations and financial reporting. From January 1989 to March 1990, Mr. Ken Poon was employed as the controller of the Calgary Distribution Centre for Core-Mark Distributors, Inc. (a company primarily engaged in distribution of retail products), during which he was responsible for

## DIRECTORS AND SENIOR MANAGEMENT

accounting and control procedures for improving the accuracy of financial information. From 1990 to 1991, he was responsible for corporate planning, marketing, and office administration as corporate controller of Liquidation World Inc. Canada (a company primarily engaged in the re-sell of discontinued products). As director and deputy general manager of GFE from 1991 to 2011, he was responsible for project management and office administration. From 2011 until present, he served as managing director, responsible for overall project management, administration, and internal control. Mr. Ken Poon is the elder brother of Mr. Tommy Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

Mr. Ken Poon has been managing our Group's overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors, our Board considers that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of its chairman and chief-executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

**Mr. Poon Ching Tong Tommy (潘正棠)**, aged 50, being one of our Controlling Shareholders, was appointed as our technical director in 15 June 2006 and appointed as our executive Director on 27 June 2017. He is responsible for overseeing and managing the projects of our Group. He has also been a director of GFE since July 1991. He graduated from the University of Toronto in Canada with a bachelor's degree in Applied Science in June 1989. He then graduated from the University of London's external program with a Masters of Science in Financial Management in December 1998. Mr. Tommy Poon is a Hong Kong Registered Professional Engineer, and has been registered as a Chartered Engineer of the United Kingdom in March 1998. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department since 7 May 1994. He is a Licensed Plumber (Grade 1) licenced by the Water Supplies Department and an electrical worker (Grade C) registered with the Electrical and Mechanical Services Department.

Mr. Tommy Poon has over 25 years of experience in electrical, mechanical, and building services engineering work. As of 2006, Mr. Tommy Poon was a technical director of our Group responsible for managing and overseeing our projects. Prior to 2007, Mr. Tommy Poon served as project manager, senior engineer, and engineer in construction and maintenance projects of our Group during which he was responsible for on-site coordination, respectively, since he joined the Group in July 1991 as engineer. Mr. Tommy Poon is the younger brother of Mr. Ken Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Tommy Poon was a director of the following companies which were incorporated in Hong Kong and dissolved by striking-off pursuant to section 291 of the Predecessor Companies Ordinance. It was confirmed by Mr. Tommy Poon that the following deregistration was due to the companies having never commenced business operations. The relevant details are as follows:

Name of Company	Nature of business	Date of incorporation	Date of dissolution
Heart Bright Limited	never commenced business	21 May 1996	19 October 2001
Time Sweet Limited	never commenced business	16 May 1996	19 October 2001
Winning Express Limited	never commenced business	21 May 1996	6 September 2002

**Mr. Ng Kwok Wai (吳國威)**, aged 50, was appointed as our senior project manager on 1 April 2016 and appointed as our executive Director on 27 June 2017. He has been responsible for project management and project operations of our Group. He has also been a director of GFE since April 2016. Mr. Ng Kwok Wai obtained his high school diploma in Yu Chun Keung Memorial College in December 1985.

Mr. Ng Kwok Wai has over 20 years of experience of engineering work in Fire Services and Water Pump Installation. Mr. Ng Kwok Wai was appointed as assistant project manager for General Engineering (China) Co. Ltd. (a company primarily engaged in engineering services) from December 1996 to May 1997, during which he was responsible for the supervision of site works. From July 1997, Mr. Ng Kwok Wai was appointed as project manager of Mansion Fire Engineering Company Ltd. (a company primarily engaged in fire engineering). Since 10 March 1998, he has been project manager of GFE, where he has also been responsible for the supervision of projects.

### NON-EXECUTIVE DIRECTOR

**Ms. Poon Kam Yee Odilia (潘錦儀)**, aged 57, was appointed as a non-executive Director of our Group on 27 June 2017, and is primarily responsible for overseeing the management and strategic planning of our Group. She has also been a director of GFE since December 1986. She graduated from the University of East Asia Macau, Macau, with a bachelor's degree in Business Administration in September 1985. She later received a master degree of Science, majoring in Business Studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Ms. Odilia Poon has over 25 years of experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served with Rothmans (Far East) Limited (a company primarily engaged in the tobacco business) with her last position as the marketing manager. She then joined Tait (HK) Limited (a company primarily engaged in marketing and distribution) from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. (a company primarily engaged in the sale of soft drinks) and during

## DIRECTORS AND SENIOR MANAGEMENT

August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong Limited (a company primarily engaged in selling of beer). From May 1999 to April 2005, she served Hudson Global Resources (HK) Limited (a company primarily engaged in recruitment) with her last role as a country manager. From April 2005 to October 2005, she was with Agilent Technologies Hong Kong Limited (a company primarily engaged in distribution of professional equipment) as the staffing manager. She then joined Talent2 Shanghai Co., Limited (a company primarily engaged in human resources business process outsourcing) and held the positions of operations director of the recruitment managed services division and the managing director in China from November 2005 to July 2013. From January 2014 to June 2017, she has been serving as a director in Motiva Consulting Limited (a company primarily engaged in recruitment) where she has been overseeing the overall management of the company. She has been a non-executive director of Luk Hing Entertainment Group Holdings Limited (a company primarily engaged in entertainment services), which is listed on GEM (stock code 8052), since 2 March 2016, and director of The Chapman Consulting Group Limited (a company primarily engaged in human resources) since 3 August 2015. Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Tommy Poon, our executive Directors.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Wong Kam Din (王金殿)**, aged 59, was appointed as an independent non-executive director of our Group on 24 January 2018. He graduated with an Associateship in Building Technology and Management in November 1986 from The Hong Kong Polytechnic (now Hong Kong Polytechnic University), and obtained a PhD in July 1993 from Loughborough University of Technology in the United Kingdom. Dr. Wong Kam Din obtained his full membership of the Institution of Civil Engineering Surveyors of Hong Kong in 1984, and a full membership of the Hong Kong Computer Society in 1992. He was elected as a member of the Association of Project Managers in 1993. Dr. Wong Kam Din was also admitted at a full member of the Chartered Institute of Building of Hong Kong in 1987 and a full member of the Hong Kong Institution of Engineers in 1992.

Dr. Wong Kam Din has over 40 years of experience in architecture, quantity surveying, project management, and building engineering. He has worked as an architectural assistant for Y.K. Auyeng and Associates (a company primarily engaged in Architecture) from December 1976 to October 1977. From November 1977 to November 1982, he then worked as an quantity surveying assistant in the Construction Department of Henderson Real Estate Agency Limited (a company primarily engaged in real estate agency) and was promoted to quantity surveyor. From December 1982 to September 1987, he served as the Planning and Computing Engineer to the Planning and Computing Consultant in High-Point CTMS (Far East) Limited (a company primarily engaged in project promotion and consultancy). He served as director of Construct IT (Hong Kong) Limited (a company primarily engaged in information technology construction). Since September 1987, he has assumed various lecturing and research positions with the Building and Real Estate Department of the Hong Kong Polytechnic University from Assistant Lecturer, to Associate Professor and Senior Teaching Fellow.

Dr. Wong Kam Din has contributed widely to academic research and teaching in the field of construction IT, project management and contract administration in the professional community and society with his expertise. He received the Bronze Bauhinia Star (BBS) Award in July 2006 from the Hong Kong Government due to his contributions of professional and community services in Hong Kong.

## DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong Kam Din was a director of the following company which was incorporated in Hong Kong and dissolved by de-registration pursuant to section 751 of the Companies Ordinance. It was confirmed by Dr. Wong Kam Din that the following deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong. The relevant details are as follows:

Name of Company	Nature of business	Date of incorporation	Date of submission of application of deregistration	Date of dissolution
Construct IT (Hong Kong) Limited (建造科技(香港)有限公司)	Construction technology	2 January 1998	7 March 2016	15 July 2016

**Mr. Yung Chung Hing (翁宗興)**, aged 57, was appointed as an independent non-executive director of our Group on 24 January 2018. Mr. Yung Chung Hing obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic (now Hong Kong Polytechnic University) in November 1984 and a Master degree of Business Administration from University of Hong Kong in November 1991. Mr. Yung Chung Hing has been an associate member of the Chartered Institute of Management Accountants since 27 January 1998 in the United Kingdom and an associate member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in Hong Kong since 19 April 1988.

Mr. Yung Chung Hing has over 27 years of experience in financial management. He served at the Hongkong Land Property Company Limited (a company primarily engaged in property development) from April 1986 to June 1995, with his last position as the Group Cash Manager and Chief Money Dealer of the company. From 1995 to 2012, Mr. Yung Chung Hing served with the Hongkong Land Group Limited (a company primarily engaged in property development) as assistant treasurer. During January 2013 to January 2015, he was the corporate finance manager (treasury) with the Hospital Authority. Within this period, he was the deputizing senior manager of financial control and operations for six months. From June 2016 to June 2017, he has been the general manager of Technic Essential Insurance and Reinsurance Brokers Ltd (a company primarily engaged in insurance brokerage). Since June 2017, he has been serving as a Technical Representative of AMG Wealth Management Limited (a company primarily engaged in private wealth management services).

**Mr. Lam Chung Wai (林仲煒)**, aged 38, was appointed as an independent non-executive director of our Group on 24 January 2018. Mr. Lam Chung Wai graduated from the University of Hong Kong with a bachelor's degree in Laws in July 2001. He then obtained his Postgraduate Certificate in Laws in July 2002. Mr. Lam Chung Wai obtained his Hong Kong Bar Association membership in September 2002 and has been qualified as a Barrister-at-law since then.

Mr. Lam Chung Wai has been practicing as a Barrister-at-law since September 2002. From 2007, Mr. Lam Chung Wai has been serving as a member of the incorporated management committee of Li Ka Shing College of Tung Wah Group of Hospitals. Mr. Lam Chung Wai has also been an accredited professional mediator of the Mainland – Hong Kong Joint Mediation Centre since 6 December 2016. He has been serving as a part time lecturer at the Department of Professional Legal Education in 2016 and 2017.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Chung Wai was a director of the following company which was incorporated in Hong Kong and dissolved by de-registration pursuant to section 291AA of the Predecessor Companies Ordinance. It was confirmed by Mr. Lam Chung Wai that the following deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong because the company had never commenced business operations. The relevant details are as follows:

Name of Company	Nature of business	Date of incorporation	Date of submission of application of deregistration	Date of dissolution
Miwell Limited (美韋有限公司)	Provision of management services	14 May 2012	2 September 2013	24 January 2014

Save as disclosed in the prospectus, each of our Directors confirms with respect to himself/herself that: (a) he/she does not have any directorships in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years preceding the date of this prospectus; (b) there is no other information that should be disclosed for himself/herself pursuant to the requirements under Rule 17.50(2) of the GEM Listing Rules; and (c) to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and potential investors as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**Mr. Yu Fat Shing (余發成)**, aged 45, was appointed as our project manager since 1 April 2016. He obtained a Higher Diploma in Building Services Engineering from the City Polytechnic of Hong Kong (now the City University of Hong Kong) in November 1993. He then graduated from the Hong Kong Polytechnic University in November 2000 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Yu Fat Shing has over 20 years of experience in engineering work in fire services and water pump installation. From 1993 to 1995, Mr. Yu worked as assistant engineer in Johnson Controls Hong Kong Limited (a company primarily engaged in providing efficient energy solutions) during which he was responsible for programming and testing fire detection system. He then served as Engineer at Mansion Fire Engineering Co. Ltd and Mansion Fire Services Co. Ltd (both companies primarily engaged in providing fire service systems) from 1995 to 2004, where he was responsible for fire services installation and maintenance. From 2004 to 2016, Mr. Yu has served at our Group with his last position as project engineer. Since 2016, he has been serving at GFE as project manager, during which he was responsible for the overall management and supervision of contract works.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lee Siu Ki (李兆琪)**, aged 31, was appointed as our project manager on 1 April 2016. He obtained a higher diploma in Building Services Engineering from the Hong Kong Institute of Vocational Education in July 2007. He then obtained a training certificate in Safe Use of Abrasive Wheels in April 2008 from the Occupational Safety and Health Council of Hong Kong, and further obtained a certificate of completion of a 42-hour Construction Safety Supervisor Course in August 2008 from the Construction Industry Council Training Academy of Hong Kong. Mr. Lee Siu Ki then graduated from the City University of Hong Kong in February 2012 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Lee Siu Ki has over 10 years of experience for engineering work in Fire Services and Water Pump Installation. On 1 June 2007, he joined GFE as assistant engineer, where he was responsible for on-site coordination and inspection until 31 March 2012. From 1 April 2012 to 31 March 2016, he was responsible for progress monitoring and site supervision. He has been project manager since 1 April 2016 and has been responsible for overall management, checking, and supervision of contract works.

**Mr. Lo Chi Kok (盧自覺)**, aged 53, has been appointed as our drafting department manager since 18 April 1988. He obtained his Diploma in Electrical Engineering in July 1986 from the Haking Wong Technical Institute of the Vocational Training Council. He is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department.

Mr. Lo Chi Kok has over 30 years of experience in engineering, design, and technical hardware production. As our drafting department manager, he has been responsible for overseeing the preparation and design of fire services layout shop drawings and details, progress programmes, and submission schedules. From October 1986 to March 1988, he served as a technician with Micro Electronics Limited (a company primarily engaged in semi-conductor manufacturing), where he was responsible for the repair and maintenance of semi-conductor bonder equipment of the production line.

## COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

**Mr. Or Sek Hey Seky (柯錫熙)** aged 37, was appointed as our company secretary on 24 January 2018 and the authorised representative of our Company. He graduated from The University of Western Ontario with a Degree of Bachelor of Administrative and Commercial Studies in June 2003 and a Diploma in Accounting in October 2003. He was admitted as Chartered Accountant of the Institute of Chartered Accountants of Ontario in May 2009 and admitted as Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2017.

Mr. Or Sek Hey Seky has more than 12 years of experience in the accounting and finance industry. Since May 2016, he has been an Assistant Vice President of AE Majoris Advisory Company Limited (a company principally engaged in corporate advisory and consulting services). From July 2011 to May 2016, he worked at Goldman Sachs (Asia) L.L.C. (a company primarily engaged in financial services) with his last position being Associate in the Controllers Department. From August 2009 to April 2011, Mr. Or Sek Hey Seky worked at Excelsior Capital Asia (HK) Limited (a company primarily engaged in direct investment) as fund accountant, and from September 2004 to March 2009, he worked at Deloitte Touche Tohmatsu (a company primarily engaged in the provision of auditing services) in Toronto with his last position being a senior staff accountant in the Assurance & Advisory Practice.



## **DIRECTORS AND SENIOR MANAGEMENT**

### **CORPORATE GOVERNANCE**

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code and the GEM Listing Rules.

### **BOARD COMMITTEE**

#### **Audit Committee**

Our Company has established the Audit Committee in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee internal control procedures of our Company.

The Audit Committee consists of three independent non-executive Directors, namely Dr. Wong Kam Din, Mr. Yung Chung Hing and Mr. Lam Chung Wai. Mr. Yung Chung Hing is the chairman of the Audit Committee.

#### **Remuneration Committee**

Our Company has established a Remuneration Committee in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure that none of the Directors determine their own remuneration.

The Remuneration Committee consists of three members, namely Mr. Ken Poon, Mr. Yung Chung Hing and Dr. Wong Kam Din. Dr. Wong Kam Din is the chairman of the Remuneration Committee.

#### **Nomination Committee**

Our Company has established a Nomination Committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors and succession planning for the Directors.

## DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee consists of three members, namely Dr. Wong Kam Din, Mr. Lam Chung Wai and Mr. Ken Poon. Mr. Ken Poon is the chairman of the Nomination Committee.

### COMPLIANCE OFFICER

Mr. Ken Poon is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” above for his biography.

### REMUNERATION POLICY

The Directors’ remuneration is determined with reference to the prevailing market practice, our Company’s remuneration policy and their duties and responsibilities with the Group. During the two years ended 31 March 2017, the aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of our Company were approximately HK\$962,000 and HK\$1,515,000, respectively.

Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Each of the executive Directors is entitled to a basic salary. Under the service agreements, the basic annual remunerations payable by our Company to the executive Directors are set out below:

<b>Executive Director</b>	<i>HK\$’000</i>
Mr. Ken Poon	1,002
Mr. Tommy Poon	816
Mr. Ng Kwok Wai	738

The non-executive Director has signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Under the appointment letter, the basic annual remuneration payable by our Company to the non-executive Directors is as follows:

<b>Non-executive Director</b>	<i>HK\$’000</i>
Ms. Odilia Poon	120

Each of the independent non-executive Directors has signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Under the appointment letters, the basic annual remuneration payable by our Company to the independent non-executive Directors are as follows:

<b>Independent non-executive Director</b>	<i>HK\$’000</i>
Dr. Wong Kam Din	120
Mr. Yung Chung Hing	120
Mr. Lam Chung Wai	120

## DIRECTORS AND SENIOR MANAGEMENT

The Director's fee for each of the independent non-executive Directors during the three-year term is initially fixed, subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee.

The remuneration of each of the independent non-executive Directors is determined by reference to market terms, seniority, his/her experiences, duties and responsibilities within the Group. The Directors are entitled to statutory benefits as required by law from time to time such as pension.

Save as disclosed above, no other remuneration have been made or are payable by our Group to our Directors in respect of the Track Record Period. Our 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 our Company to our Directors for the year ending 31 March 2018 will be approximately HK\$3,036,000.

Prior to the Listing, the remuneration policy of our Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. The remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company.

Upon and after the Listing, the remuneration package of the executive Directors and the senior management will be linked more to the performance of our Group and the return to its Shareholders. The Remuneration Committee will review annually the remuneration of all of our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

### COMPLIANCE ADVISER

The Group has appointed Kingsway Capital Limited as our Company's compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules from the Listing Date. The compliance adviser will advise the Group on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

Save for Kingsway Capital Limited's obligations under the Underwriting Agreement as disclosed in the section headed "Underwriting" in this prospectus, Kingsway Capital Limited does not have any shareholding interest in our Group nor any right to subscribe for or to nominate any person to subscribe for securities in our Company or any member of our Group.

Services to be provided by the compliance adviser under the compliance adviser agreement between the Group and the compliance adviser include:

- to advise our Company with regard to its obligations under various rules and regulations of the Stock Exchange and the SFC, and to provide our Company with proper guidance and advice with due care and skill as to compliance with the requirements under the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;
- upon the request of our Company, to accompany our Group to any meetings with the Stock Exchange, unless otherwise declined by the Stock Exchange;

## DIRECTORS AND SENIOR MANAGEMENT

- no less frequently than at the time of reviewing the financial reporting of our Company and upon our Company notifying the compliance adviser of a proposed change in the use of proceeds of the Share Offer, to discuss the following (as appropriate) with our Company:
  - (i) our Group's operating performance and financial condition by reference to its business plans and use of proceeds as stated in this prospectus;
  - (ii) our Company's compliance with the terms and conditions of the waivers granted by the Stock Exchange from the GEM Listing Rules and exemption granted by the SFC with strict compliance with the Companies Ordinance at the time of Listing;
  - (iii) whether any profit estimate in this prospectus will be or has been met or will be or has been failed to be duly met by our Company and, to advise our Group to notify the Stock Exchange and inform the public in a timely and appropriate manner; and
  - (iv) our Company's compliance with any undertakings provided by our Company and its Directors at the time of the Listing as more particularly disclosed in this prospectus, and, in the event of non-compliance, to discuss the issue with the Board and make recommendations to the Board regarding appropriate remedial steps;
- in relation to an application by our Company for a waiver from any of the requirements in Chapter 20 of the GEM Listing Rules, to advise our Company on its obligations and in particular the requirement to appoint an independent financial adviser;
- to assess the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed company, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with our Board and make recommendations to our Board regarding appropriate remedial steps such as training; and
- to discharge such duties and functions as may be required to be performed by the compliance adviser under the GEM Listing Rules from time to time and as reasonably requested by our Company.

The term of the appointment shall commence on the Listing Date and end on the date of which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the first full financial year after the date of the Listing, which, for the avoidance of doubt, shall mean the financial year ending 31 March 2018.

### **STAFF RELATIONS**

Our Group believes that the employee relations are satisfactory in general. Our Group believes that the management policies, working environment, career prospects and benefits extended to the employees have contributed to employee retention and building of amicable employee relations.

## SHARE CAPITAL

### SHARE CAPITAL

The share capital of our Company immediately following the completion of the Capitalisation Issue and Share Offer is set out in the table below. The table is prepared on the basis of the Capitalisation Issue and Share Offer becoming unconditional and the issue of Offer Shares and the Capitalisation Issue pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

	<b>Nominal Value</b> <i>(HK\$)</i>
<i>Authorised share capital:</i>	
3,800,000,000 Shares of HK\$0.01 each	38,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000 Shares in issue as of the date of this prospectus	100
899,990,000 Shares to be issued pursuant to the Capitalisation Issue	8,999,900
<u>300,000,000</u> Shares to be issued pursuant to the Share Offer	<u>3,000,000</u>
<u>1,200,000,000</u> Total	<u>12,000,000</u>

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 300,000,000 Shares represent 25% of the issued share capital of our Company upon Listing.

### RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix V to this prospectus.

## SHARE CAPITAL

### CAPITALISATION ISSUE

Pursuant to the resolutions in writing of all the Shareholders passed on 24 January 2018, conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, the Directors are authorised to allot and issue a total of 899,990,000 Shares credited as fully paid to the holders of Shares on the register of members of our Company at the close of business on 24 January 2018 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$8,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but not taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme; and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Ordinance to be held; or
- (c) the time when such mandate is varied or revoked or renewed by an ordinary resolution of the Shareholders at a general meeting.

Please refer to the sub-paragraph headed “Resolutions in writing of our Shareholders” under the paragraph “Further information about our Company” in Appendix V to this prospectus for further details.

## SHARE CAPITAL

### **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 our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Capitalisation Issue and Share Offer.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares which may be listed on the Stock Exchange or any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the sub-paragraph headed “Repurchase of our Shares” under the paragraph headed “Further information about our Company” in Appendix V to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Companies Ordinance or the Articles to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed “Repurchase of Shares” under the paragraph headed “Further information about our Company” in Appendix V to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

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

Please see “Summary of the constitution of our Company and the Cayman Islands Company Law” in Appendix IV to this prospectus for details of the circumstances under which general meetings and class meetings of our Company are required.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with the accountants' report of our Group for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, including notes thereto, as set forth in Appendix IA to this prospectus, and the accountants' report of GEL for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, including notes thereto, as set forth in Appendix IB to this prospectus, respectively, all of which have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”).*

*The following discussion and analysis contains forward-looking statements concerning events that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Forward-looking statements”, “Risk factors” and elsewhere in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this prospectus, except as required by applicable law.*

### OVERVIEW

We are an established E&M engineering service provider in Hong Kong, specialising in installation, alteration and addition works and maintenance of fire service systems. Fire service systems mainly consist of automatic fire alarm systems, sprinkler systems, manual fire alarm systems, fire hydrant and hose reel systems, drencher systems, water spray systems, foam systems, non-contaminating gas extinguishing systems, emergency lighting systems, audio visual systems and portable fire appliances. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

During the Track Record Period, we had undertaken 30 installation projects, 2,838 alteration and addition works projects and 899 maintenance projects in Hong Kong, 19 of which were sizeable projects with each contract sum over HK\$10 million. As at the Latest Practicable Date, we had 16 sizeable installation projects with each contract sum over HK\$10 million in progress, with an estimated total outstanding contract value of approximately HK\$241.9 million.

On 3 August 2017, the GEL Share Sale Agreement was entered into among Mr. Ken Poon and Ms. Odilia Poon as the vendors and Guardian Team as the purchaser pursuant to which the Mr. Ken Poon and Ms. Odilia Poon agreed to sell, and Guardian Team agreed to purchase, the entire issued share capital of Guardian Engineering. Upon completion of the GEL Acquisition, GEL became a wholly-owned subsidiary of Guardian Team and its financial statements are only incorporated into the Group's financial statements after that date. The accountants' report of GEL for the financial year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 is set out in Appendix IB to this prospectus. For analysis of the results of operation of GEL during the Track Record Period, please refer to the paragraphs from the paragraph headed “Financial information of GEL” in this section.



## FINANCIAL INFORMATION

Assuming GEL had been acquired by us on the first day of the relevant period, on a pro forma basis, our total revenue would have amounted to HK\$207.1 million for the year ended 31 March 2017 and HK\$84.4 million for the four months ended 31 July 2017. Please refer to Appendix IIA to this prospectus for details on the unaudited pro forma financial information of the enlarged Group resulting from the GEL Acquisition.

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising the Group.

Our Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of GFE has not resulted in any change in economic substance and does not involve business combination. For the purpose of the Accountants' Report, the financial information of the Company and its subsidiaries for the Track Record Period has been prepared on a combined basis using the predecessor carrying amounts as if the steps of the Reorganisation for the purposes of establishment of the Company and insertion to a new holding company at the top of GFE had been completed at the beginning of the Track Record Period.

Upon the completion of the above steps of the Reorganisation, our Company holds the entire equity interests, directly or indirectly, of companies comprising our Group. The financial information of our Group for the Track Record Period has been prepared using the carrying amounts of the financial statements of the companies now comprising our Group.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and cash flows of the companies now comprising our Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of our Group as at 31 March 2016 and 2017 and the four months ended 31 July 2017 have been prepared to present the state of the affairs of our Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence as at the respective dates.

All significant intra-group transactions and balances have been eliminated on combination. The financial information is presented in HK\$, which is also the functional currency of our Company. All values are rounded to the nearest thousands except when otherwise indicated.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. It should be noted that accounting estimates and assumptions are used in the preparation of the financial information of the Company and its subsidiaries. Although these estimates are based on our management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 5 to the Accountants' Report.

## FINANCIAL INFORMATION

### **KEY FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION**

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

Almost all of our revenue during the Track Record Period was derived from the provision of fire safety system installation, alteration and addition works and maintenance services in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. After completion of the projects, our customers may or may not engage us again in subsequent projects. We have to undergo the tendering or quotation process for our new projects.

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

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

Our contracts are normally awarded through competitive tendering process. Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We generally adopt a cost-plus pricing model and determine the tender price by taking into account factors comprising the scope and complexity of the project, the site conditions, project time frame, quoted costs of materials and subcontracted works, our previous tender records, the awarded tender prices of similar projects, our relationship with the potential customer, payment history of our potential customer and prevailing market conditions. Our contracts with customers during the Track Record Period were fixed price contracts. Once the customer and we agree on the tender price, we generally will have to bear any additional costs incurred. However, the actual time and costs incurred by us may be affected by various factors, including (i) disputes among other parties involved in the projects; (ii) delays or defects in the installation work provided by our subcontractors; (iii) departure of our key personnel; (iv) disputes with our customers or suppliers; (v) variations to the requirements or design requested by our customers; (vi) delays by our suppliers in delivering the systems/equipment; (vii) changes in market conditions; (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates result in lower profit margin or even a loss for a project.

## FINANCIAL INFORMATION

### **We rely on subcontractors to help complete installation work. Any delay or defects on their part would adversely affect our operations and financial results**

During the Track Record Period, we engaged subcontractors to help completing installation work under our contracts. For the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, the actual costs of engaging our subcontractors were approximately HK\$72.6 million, HK\$79.5 million and HK\$38.6 million, representing 68.3%, 58.7% and 69.4% of our actual cost respectively. Outsourcing exposes us to risks associated with non-performance, sub-standard and delayed performance by our subcontractors. As a result, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and costs to carry out remedial actions, which may in turn adversely impact our profitability, financial performance and reputation, and/or result in litigation and claims.

In addition, our subcontractors may not always be readily available when our needs for outsourcing arise. Notwithstanding our proven working relationships with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us on future projects on similar terms and conditions. There is no assurance that we would be able to find alternative subcontractors with the requisite knowledge, expertise, experience and capability that meet our project needs and work requirements and timely complete the projects in accordance with the project terms with competitive prices. If we are unable to engage such suitable alternative subcontractors, our ability to complete projects on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

### **CRITICAL ACCOUNTING POLICIES & ESTIMATES**

The financial statements of our Group was prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, which requires our Group to adopt accounting policies and make estimates and assumptions that the management believes are appropriate in the circumstances for purpose of giving a true and fair view of the results and financial condition of our Group. However, different policies, estimates and assumptions in critical areas could lead to materially different results. Our Directors have continually assessed these estimates based on their experience and knowledge of current business, the expectations based on available information and other reasonable assumptions, which together form our basis for making judgments about matters that are not apparent from other sources. Since the use of estimates is an integral component of financial reporting progress, the actual result could differ from those estimates. Our Directors believe the following accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

## FINANCIAL INFORMATION

### **Construction contract**

Construction contract revenue is recognised according to the percentage of completion of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Amounts due from/to customers of contract work are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and amounts due from/to customers of contract work requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of the Group on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors/suppliers/vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers and vendors. Recognition of variations and claims also requires estimation and judgement by the management.

Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

### **Impairment of receivables**

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and aging analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

## FINANCIAL INFORMATION

### COMBINED RESULTS OF OPERATION

The table below set out the combined statements of comprehensive income of our Group for the Track Record Period extracted from the Accountants' Report set out in Appendix IA to this prospectus:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>	
	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i> (unaudited)	<b>2017</b> <i>HK\$'000</i>
Revenue	122,849	161,167	40,429	67,008
Cost of revenue	<u>(106,169)</u>	<u>(135,342)</u>	<u>(34,596)</u>	<u>(55,615)</u>
<b>Gross profit</b>	16,680	25,825	5,833	11,393
Other income and gains	1,842	1,084	297	212
Administrative and other operating expenses	(8,028)	(8,736)	(3,027)	(3,363)
Listing expenses	–	–	–	(7,917)
Finance costs	<u>(232)</u>	<u>(149)</u>	<u>(47)</u>	<u>(35)</u>
<b>Profit before income tax</b>	10,262	18,024	3,056	290
Income tax	<u>(1,541)</u>	<u>(3,037)</u>	<u>(546)</u>	<u>(1,322)</u>
<b>Profit/(loss) and total comprehensive income for the year/period</b>	<u><u>8,721</u></u>	<u><u>14,987</u></u>	<u><u>2,510</u></u>	<u><u>(1,032)</u></u>

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

Our Group's revenue is mainly derived from providing installation, alteration and addition works, and maintenance services of E&M engineering systems to our customers in Hong Kong during the Track Record Period. The following table sets forth a breakdown of our revenue by service types during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Installation	79,622	64.8	116,224	72.1	24,297	60.1	51,101	76.3
Alteration and addition works	38,810	31.6	40,554	25.2	14,965	37.0	14,532	21.7
Maintenance	4,417	3.6	4,389	2.7	1,167	2.9	1,375	2.0
<b>Total</b>	<b>122,849</b>	<b>100</b>	<b>161,167</b>	<b>100</b>	<b>40,429</b>	<b>100</b>	<b>67,008</b>	<b>100</b>

During the Track Record Period, our Group prepared our tenders and quotations based on our estimated cost of management resources, material and equipment, labour, any additional insurance policy we are required to take out particularly for the project, and subcontracting cost, plus a mark-up. Our Group estimated the cost of material and equipment and subcontracting cost with reference to our internal cost list of or by obtaining quotations from our approved suppliers and subcontractors.

Our Group's revenue for the year ended 31 March 2017 increased by approximately 31.2% or approximately HK\$38.3 million as compared to that for the year ended 31 March 2016. The increase in revenue is mainly contributed from installation and alteration and additions works services which amounted to approximately HK\$36.6 million and HK\$1.7 million respectively.

Our Group's revenue for the four months ended 31 July 2017 increased by approximately 65.7% or approximately HK\$26.6 million as compared to that for the four months ended 31 July 2016. The increase in revenue is mainly contributed from installation service which amounted to approximately HK\$26.8 million.

## FINANCIAL INFORMATION

All of our projects during the Track Record Period were located in Hong Kong. We undertook projects in both public and private sectors. The following table sets forth the breakdown of our revenues by public and private sectors during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Private sector	117,730	95.8	152,343	94.5	38,956	96.4	65,061	97.1
Public sector	5,119	4.2	8,824	5.5	1,473	3.6	1,947	2.9
	<u>122,849</u>	<u>100</u>	<u>161,167</u>	<u>100</u>	<u>40,429</u>	<u>100</u>	<u>67,008</u>	<u>100</u>

During the Track Record Period, our Group completed 11 installation projects for the private sector. According to the F&S Report, public sector projects refer to projects commissioned by the Government departments (including Housing Authority and Electrical and Mechanical Services Department), while private sector projects refer to projects commissioned by individuals, property developers, property owners, main contractors who are engaged by property developers. Our Group generated approximately HK\$117.7 million and HK\$152.3 million of its revenue in the private sector, respectively, with the remaining revenue of approximately HK\$5.1 million and HK\$8.8 million in the public sector, respectively, for the year ended 31 March 2016 and 2017. Our Group generated approximately HK\$39.0 million and HK\$65.1 million of its revenue in the private sector, respectively, with the remaining revenue of approximately HK\$1.5 million and HK\$1.9 million in the public sector, respectively, for the four months ended 31 July 2016 and 2017.

### Cost of revenue

The following table sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Subcontracting								
fees	72,556	68.3	79,453	58.7	21,228	61.4	38,581	69.4
Materials costs	24,062	22.7	39,972	29.5	8,958	25.9	12,690	22.8
Direct labour								
cost	8,135	7.7	10,427	7.7	3,199	9.2	3,634	6.5
Others	1,416	1.3	5,490	4.1	1,211	3.5	710	1.3
Total	<u>106,169</u>	<u>100</u>	<u>135,342</u>	<u>100</u>	<u>34,596</u>	<u>100</u>	<u>55,615</u>	<u>100</u>

## FINANCIAL INFORMATION

During the Track Record Period, sub-contracting fees constituted the largest component of our direct costs, amounting to approximately 68.3%, 58.7% and 69.4% of our total direct costs.

Being the largest component of our direct costs during the Track Record Period, subcontracting fee represents services fees we paid to our sub-contractors for various services. Material costs primarily include costs of procuring materials such as automatic fire alarm systems and galvanised iron pipes and fittings for projects. Direct staff costs primarily include the salaries, wages and other benefits provided for our staffs such as engineering staff, safety supervisors who are directly involved in the projects. Other primarily include, but not limited to, (i) insurance expenses for contractors' all risks insurance and employees' compensation insurance; (ii) costs of miscellaneous site expenditure such as hiring of plant and machinery and establishment of temporary site office; and (iii) others such as parts, electricity and water, transportation charges.

The table below sets forth our cost of revenue by service types for the periods indicated, both in actual term and as a percentage of total cost of revenue:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total cost of revenue		Percentage of total cost of revenue		Percentage of total cost of revenue		Percentage of total cost of revenue	
	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Installation	67,790	63.9	98,937	73.1	20,978	60.6	42,788	76.9
Alteration and addition works	34,250	32.2	32,140	23.7	12,517	36.2	11,497	20.7
Maintenance	4,129	3.9	4,265	3.2	1,101	3.2	1,330	2.4
<b>Total</b>	<b>106,169</b>	<b>100</b>	<b>135,342</b>	<b>100</b>	<b>34,596</b>	<b>100</b>	<b>55,615</b>	<b>100</b>

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total cost of revenue		Percentage of total cost of revenue		Percentage of total cost of revenue		Percentage of total cost of revenue	
	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue	Cost of revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	101,562	95.7	127,967	94.6	33,309	96.3	54,183	97.4
Public sector	4,607	4.3	7,375	5.4	1,287	3.7	1,432	2.6
<b>Total</b>	<b>106,169</b>	<b>100</b>	<b>135,342</b>	<b>100</b>	<b>34,596</b>	<b>100</b>	<b>55,615</b>	<b>100</b>



## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's subcontracting charges, materials costs and direct labour costs on our Group's profit during the Track Record Period. The hypothetical fluctuation rates are set out at 10%, 28% and/or 66% and their multiples which are considered reasonable for the purpose of this sensitivity analysis:

	<b>Impact on profit before income tax for the year ended 31 March</b>		<b>Impact on profit before income tax for the four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges				
increase/decrease by:				
+20%	(14,511)	(15,891)	(4,246)	(7,716)
+10%	(7,256)	(7,945)	(2,123)	(3,858)
-10%	7,256	7,945	2,123	3,858
-20%	14,511	15,891	4,246	7,716
Material costs				
increase/decrease by:				
+132%	(31,762)	(52,763)	(11,825)	(16,751)
+66%	(15,881)	(26,382)	(5,912)	(8,375)
-66%	15,881	26,382	5,912	8,375
-132%	31,762	52,763	11,825	16,751
Direct labour costs				
increase/decrease by:				
+56%	(4,556)	(5,839)	(1,791)	(2,035)
+28%	(2,278)	(2,920)	(896)	(1,018)
-28%	2,278	2,920	896	1,018
-56%	4,556	5,839	1,791	2,035

## FINANCIAL INFORMATION

### Gross profit

The following table sets forth our gross profit and gross profit margin by service types and by private and public sectors for the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
					(unaudited)			
Installation	11,832	14.9	17,287	14.9	3,319	13.7	8,313	16.3
Alteration and addition works	4,560	11.7	8,414	20.7	2,448	16.4	3,035	20.9
Maintenance	288	6.5	124	2.8	66	5.7	45	3.3
<b>Total</b>	<b><u>16,680</u></b>	<b><u>13.6</u></b>	<b><u>25,825</u></b>	<b><u>16.0</u></b>	<b><u>5,833</u></b>	<b><u>14.4</u></b>	<b><u>11,393</u></b>	<b><u>17.0</u></b>

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
					(unaudited)			
Private sector	16,168	13.7	24,376	16.0	5,647	14.5	10,878	16.7
Public sector	512	10.0	1,449	16.4	186	12.6	515	26.4
<b>Total</b>	<b><u>16,680</u></b>	<b><u>13.6</u></b>	<b><u>25,825</u></b>	<b><u>16.0</u></b>	<b><u>5,833</u></b>	<b><u>14.4</u></b>	<b><u>11,393</u></b>	<b><u>17.0</u></b>

During the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our gross profit was approximately HK\$16.7 million, HK\$25.8 million and HK\$11.4 million, and our gross profit margins were approximately 13.6%, 16.0% and 17.0% for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. The gross profit margin of our projects depends on a number of factors, including but not limited to, scope of work, technical complexity, variation orders and/or work programme, and therefore varies from project to project.

## FINANCIAL INFORMATION

For the four months ended 31 July 2017, all the gross profit in public sector was generated from the installation works by three projects. We were engaged by the Hong Kong Housing Authority for all these installation works.

According to the F&S Report, the strict enforcement on fire safety rules is becoming a key market driver in the fire safety services industry in Hong Kong. The tightening of existing rules and the introduction of new fire safety rules such as the Registered Fire Engineers (RFEs) enforced by the Fire Safety Department after the rising awareness of fire safety was as a result of the then fire incidents in industrial buildings.

The strict enforcement on fire safety rules and the rising awareness of fire safety lead to higher standards and requirements by the Hong Kong Housing Authority as well as the practical design of domestic buildings, thus it required experienced fire service installation contractors to install, which is the major reason for us to charge a higher profit margin for our services to meet the criteria of the Hong Kong Housing Authority.

Accordingly, for all of our projects, installation, alteration and addition works or maintenance services, public or private, our Directors are of the view that no clear benchmark of profit margin based on our three business segments could be established. It is our Directors' objective to maximise gross profit margin for each project. Among the projects completed by the Group during the Track Record Period, no loss making project was recorded. In determining the gross profit margin for each of the projects, the following factors were considered including (i) the customer base; (ii) the operation, e.g. the level of human resources to be involved, strategies used etc., during the quotation and tendering process; and (iii) the nature of work, e.g. the scope of work, technical complexity, unit rate of materials requested by the customers or consistent with the materials using by existing buildings and the hourly rate of staff cost depending on the requirement of working during office hour or non-office hour etc., by the Group and GEL. Our overall gross profit margin for the year ended 31 March 2017 increased to 16.0% as compared to the year ended 31 March 2016. The increase was mainly due to the significant increase in gross profit and gross profit margin of alteration and addition works during the year ended 31 March 2017. Our overall gross profit margin for the four months ended 31 July 2017 increase to 17.0% as compared to the four months ended 31 July 2016. The increase was mainly due to the increase in gross profit and gross profit margin of installation works and alteration and addition works during the four months ended 31 July 2017.

Please refer to the section headed "Financial information — Period to period comparison of results of operation" below for a discussion on the fluctuation of our Group's gross profit margin during the Track Record Period.

## FINANCIAL INFORMATION

### Other income and gains

The following table sets forth the breakdown of other income and gains during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Handling fee income	1,583	85.9	797	73.5	249	83.8	190	89.6
Bank interest income	74	4.0	7	0.6	–	–	–	–
Investment income on financial assets at fair value through profit or loss	83	4.5	50	4.6	29	9.8	–	–
Gain on disposal of investments	28	1.5	54	5.0	–	–	–	–
Gain on disposal of property, plant and equipment	15	0.8	119	11.0	–	–	2	0.9
Rental income	57	3.1	57	5.3	19	6.4	19	9.0
Other	2	0.2	–	–	–	–	1	0.5
<b>Total</b>	<b>1,842</b>	<b>100.0</b>	<b>1,084</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>212</b>	<b>100.0</b>

Other income and gains mainly include handling fee income, bank interest income, investment income on financial assets at fair value through profit or loss, gain on disposal of investments in multi income fund, gain on disposal of motor vehicles and rental income.

In respect of the handling fee income, GFE entered into agreements with a developer and owner of integrated resorts in Macau (the “**Macau Developer**”) to design, supply and install fire services systems in its integrated resorts in Macau. In this connection, GFE agreed with Guarforce Engineering Consultants Ltd. (“**GEC**”), a then related company of our Group, that GEC was solely responsible for all works performed for the abovementioned projects, and GFE was responsible for providing clerical support in handling administrative matters such as making applications to the resort developer and owner for payments. It was also agreed that GFE was not entitled to the service income derived from the projects, but, in the light of the provision of clerical support, a handling fee, which was charged at an annual rate ranging from 1% to 2% of, and depending on, the service income entitled by GEC per year under the projects. GFE received from GEC such handling fee income which amounted to approximately HK\$1.6 million, HK\$0.8 million and HK\$0.2 million during the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively.

## FINANCIAL INFORMATION

In this connection, the clerical support services provided by GFE related to two contracts in respect of the design, supply and installation of fire services systems in the integrated resorts in Macau (the “**Macau Contracts**”). The total contract sum of each of these two contracts amounted to approximately MOP13.86 million and MOP155.24 million, respectively. In respect of the two Macau Contracts, the one with contract sum of MOP13.86 million completed on 15 July 2015 and its defect liability period ended on 15 July 2016; whereas the remaining one completed on 12 September 2016 and its defect liability period ended on 12 September 2017.

The material terms of the arrangement between GEC and GFE in relation to the Macau Contracts were agreed as follows:

Performance of Contract	GEC is solely responsible for all works performed for the Macau Contracts.
Rights of GEC	GEC, instead of GFE, is entitled to the economic benefits arising from the Macau Contracts.
Rights of GFE	<ol style="list-style-type: none"><li>(1) Under any circumstance, GFE is entitled to earn and retain the pre-determined amounts of handling fee as mentioned below for each of the Macau Contracts even if the developer and owner of integrated resorts in Macau (the “<b>Resort Group</b>”) defaults any payments in relation to the Macau Contracts.</li><li>(2) The handling fees are determined based on certain percentages of the total bills to the Resort Group. The percentage is determined by GEC and GFE for each of the Macau Contracts. All the applications for payment for the workdone under the Macau Contracts are made by GFE under the sole instruction of GEC.</li><li>(3) GFE is only entitled to the handling fee but not the service income in the contracts with the Resort Group in respect of the Macau Contracts.</li></ol>
Liabilities of GEC	<ol style="list-style-type: none"><li>(1) For any costs incurred or to be incurred by GFE in relation to the Macau Contracts, GFE requires GEC to reimburse the full amount of such costs to GFE.</li><li>(2) In the event GFE is liable to any claims from the Resort Group or other parties in connection with the Macau Contracts, GEC agrees to fully indemnify GEC resulting from such claims.</li></ol>

## FINANCIAL INFORMATION

- (3) The deposits pledged by GFE for issuing the surety bonds for the Macau Contracts and GFE's guarantee provided to the financial institutions issuing the surety bonds are fully indemnified and guaranteed by GEC. Through such back-to-back arrangement, the risks and rewards of the Macau Contracts were passed to GEC.
- Payment terms
- (1) Only after the Resort Group makes the payment to GFE, the amount is transferred to GEC on demand or paid to other parties in accordance with the instructions from GEC.
- (2) When there are variation orders that changes the total contract sums of the Macau Contracts, GFE pays the full balance of such sums to GEC after retaining the pre-determined handling fee.
- Pricing terms
- (1) The prices agreed with the Resort Group in respect of the Macau Contracts are determined on the prices as determined by GEC.
- (2) The prices as quoted and agreed with the Resort Group for implementation of the Macau Contracts is approved by GEC.

The project management works under the Macau Contracts were undertaken by GEC itself, whereas the labour works under the Macau Contracts were further subcontracted by GEC to other third parties.

Please also refer to the section headed "History, reorganisation and corporate structure — Corporate history" for further details on our representative office in Macau.

## FINANCIAL INFORMATION

### Administrative and other operating expenses

Administrative and other operating expenses mainly include staff costs, Directors' remuneration and benefits, operating lease rental on land and building, repair and maintenance, legal and professional fees, entertainment, motor vehicles and travelling expenses and other administrative expenses. The following table sets out the administrative expenses by nature during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Staff costs, including								
Directors' emoluments	3,619	45.1	4,458	51.0	1,682	55.6	1,972	58.7
Traveling expenses	583	7.3	704	8.1	255	8.4	153	4.6
Depreciation	664	8.3	862	9.9	237	7.8	233	6.9
Legal and professional fees	177	2.2	113	1.3	–	–	–	–
Entertainment	265	3.3	434	5.0	80	2.6	175	5.2
Operating lease rental on								
land and buildings	406	5.1	565	6.5	232	7.7	152	4.5
Repair and maintenance	86	1.1	273	3.1	72	2.4	9	0.3
Insurance	407	5.1	283	3.2	132	4.4	19	0.6
Others	1,821	22.5	1,044	11.9	337	11.1	650	19.3
<b>Total</b>	<b>8,028</b>	<b>100.0</b>	<b>8,736</b>	<b>100.0</b>	<b>3,027</b>	<b>100.0</b>	<b>3,363</b>	<b>100.0</b>

Staff costs included compensation and benefits provided to administrative staff and our Directors. Operating lease rental on land and buildings represented lease rental paid for our Group's offices. Those office premises were leased from landlords, who are Independent Third Parties and a related party. Travelling expenses were parking fee and toll fees for travelling costs incurred not directly related in our projects. Legal and professional fees included legal expenses and professional charges mainly incurred for renewal of licenses, ISO certifications and rental agreement. Depreciation classified as administrative expenses represented equipment and motor vehicles which were not involved directly in carrying out our projects.

## FINANCIAL INFORMATION

### Finance costs

Our finance costs mainly represent interest expenses for bank loans and interest expenses on obligations under finance leases of motor vehicles. The table below set forth the total finance costs of our Group and amount charged to profit or loss of our Group during the Track Record Period.

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Interest on bank								
borrowing- bank loans	196	84.5	124	83.2	47	100.0	27	77.1
Interest element of finance								
lease payments	36	15.5	25	16.8	–	–	8	22.9
<b>Total</b>	<b>232</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>

### Income tax

Income tax represents income tax paid or payable by us, at the application tax rates in accordance with relevant laws and regulations in each tax jurisdiction our Group operates. Our operation in Hong Kong are subject to statutory profits tax rate of 16.5%. Macau complementary tax is calculated at progressive rates up to 12% on estimated taxable profits arising in Macau for the Track Record Period.

Our Group's effective tax rate, calculated as our income tax for the corresponding period divided by our profit before income tax and listing expenses for the period, was approximately 15.0%, 16.8% and 16.1% for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 respectively. The effective tax rates were relatively stable during the Track Record Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

*Year ended 31 March 2017 compared to the year ended 31 March 2016*

#### Revenue

Our Group's revenue for the year ended 31 March 2017 increased by approximately 31.2% or approximately HK\$38.3 million as compared to that for the year ended 31 March 2016. The increase in revenue mainly contributed by the increase in revenue from installation and alteration and addition works which amounted to approximately HK\$36.6 million and HK\$1.7 million respectively, net of slightly decrease in revenue from maintenance services.



## FINANCIAL INFORMATION

### *Revenue segment*

#### Installation

Our revenue generated from installation significantly increased by HK\$36.6 million or 46.0%, from approximately HK\$79.6 million for the year ended 31 March 2016 to approximately HK\$116.2 million for the year ended 31 March 2017, representing approximately 64.8% and 72.1% of our total revenue respectively. The increase in revenue from installation was mainly due to (i) the commencement of the sizable projects in the year ended 31 March 2017, such as two residential projects in Sha Tin and one residential project in Tuen Mun for Customer G, H and A respectively, which contributed revenue of approximately HK\$38.6 million for the year ended 31 March 2017; (ii) the execution of an installation project for a data centre located in Tseung Kwan O of Customer F with substantial works completed and certified during the year ended 31 March 2017 which contributed revenue of approximately HK\$34.7 million for the year ended 31 March 2017; and (iii) the increase in the number of installation projects undertaken by us from 18 for the year ended 31 March 2016 to 26 for the year ended 31 March 2017.

#### Alteration and addition works

Our revenue generated from alteration and addition works increased by HK\$1.7 million or 4.5%, from approximately HK\$38.8 million for the year ended 31 March 2016 to approximately HK\$40.6 million for the year ended 31 March 2017, representing approximately 31.6% and 25.2% of our total revenue respectively. The increase was primarily due to the increase in the number of additions and alteration works projects was completed by us from 1,141 projects for the year ended 31 March 2016 to 1,173 projects for the year ended 31 March 2017.

#### Maintenance

Our revenue generated from maintenance services amounted to approximately HK\$4.4 million and HK\$4.4 million for the year ended 31 March 2016 and 2017, representing 3.6% and 2.7% of our total revenue respectively.

#### **Cost of revenue**

Cost of revenue increased from approximately HK\$106.2 million for the year ended 31 March 2016 to approximately HK\$135.3 million for the year ended 31 March 2017, representing an increase of approximately HK\$29.2 million. Such increase was in line with the increase in our revenue by approximately 31.2% during the same period. The increase was primarily due to an increase in subcontracting charges and materials cost resulting from more projects undertaken by our Group during the year ended 31 March 2017.

#### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$9.1 million, or 54.8% from HK\$16.7 million for the year ended 31 March 2016 to HK\$25.8 million for the year ended 31 March 2017. The gross profit margin increased from approximately 13.6% for the year ended 31 March 2016 to 16.0% for the year ended 31 March 2017. The increase in the gross profit was mainly due to the growth of the revenue from installation and the improvement of gross profit margin of alteration and addition works, but partially offset by the decline in gross profit margin of our maintenance services.

## FINANCIAL INFORMATION

### *Installation works*

For the year ended 31 March 2016 and 31 March 2017, the gross profit from installation works was approximately HK\$11.8 million and HK\$17.3 million, respectively.

The gross profit margin for our installation works maintained relatively stable at approximately 14.9% for the year ended 31 March 2016 and 2017.

Hence, the increase in gross profit was primarily driven by the increase in revenue, which was mainly due to (i) the commencement of the sizable projects in the year ended 31 March 2017, such as two residential projects in Sha Tin and one residential project in Tuen Mun for Customer G, H and A respectively, which contributed revenue of approximately HK\$38.6 million for the year ended 31 March 2017; (ii) the execution of an installation project for a data centre located in Tseung Kwan O of Customer F with substantial works completed and certified during the year ended 31 March 2017 which contributed revenue of approximately HK\$34.7 million for the year ended 31 March 2017; and (iii) the increase in the number of installation projects undertaken by us from 18 for the year ended 31 March 2016 to 26 for the year ended 31 March 2017.

### *Alteration and addition works*

For the years ended 31 March 2016 and 31 March 2017, the gross profit from alteration and addition works were approximately HK\$4.6 million and HK\$8.4 million respectively.

These amounts translate to gross profit margin of approximately 11.7% and 20.7% for the years ended 31 March 2016 and 31 March 2017 respectively. The Directors consider these percentages to deviate from their historical average due to incidental factors on specific projects for both years as described below.

For the year ended 31 March 2016, gross profit margin for the fiscal year has been dragged down due to the substantial completion of the alteration and addition projects for two commercial buildings in Tsuen Wan and North Point altogether with an original contract sum of approximately HK\$7.6 million which has a lower gross profit margin for the financial year. Each project lasted for approximately 3 to 6 months, and all were completed in October 2016. The revenue and gross profit of these projects recognised are approximately HK\$3.5 million and HK\$0.2 million for the year ended 31 March 2016 respectively.

These alteration and addition works were required to carry out within a short period of time after the service hours of these two commercial buildings, and the subcontractors charged us a higher mark-up on these projects. Excluding these incidental projects, GFE's gross profit margin for the year ended 31 March 2016 would be normalised to approximately 13.0%.

For the year ended 31 March 2017, the increase in both gross profit was mainly due to the substantial completion of the alteration and addition projects for a commercial building in Causeway Bay altogether with an original contract sum of approximately HK\$5.9 million which has a relatively higher gross profit margin for the financial year. Each project lasted for approximately 3 to 6 months, and all were completed in August 2017. The revenue and gross profit recognised are approximately HK\$3.6 million and HK\$2.1 million for the year ended 31 March 2017 respectively.

## FINANCIAL INFORMATION

These alteration and addition works were at the prime location in the commercial area and requested for higher quality of works for pragmatic design, therefore we used our in-house team to perform the works to ensure the criteria could be met, which was generally more profitable by using our in-house team compared with other alteration and addition projects subcontracted to other subcontractors. Excluding this incidental project, GFE's gross profit margin for the year ended 31 March 2017 would be normalised to approximately 15.4%.

As described above, GFE's adjusted gross profit margin after excluding these incidental projects is estimated to be 13.0% and 15.4% for the year ended 31 March 2016 and 31 March 2017 respectively, and the Directors consider these to be closer to our normal gross profit margin percentage, compared to the current spread between 11.7% and 20.7% which were deviated due to one-off incidental factors mentioned.

### *Maintenance services*

For the year ended 31 March 2016 and 31 March 2017, the gross profit from maintenance services was approximately HK\$288,000 and HK\$124,000, respectively. Gross profit margin of our maintenance services decreased from approximately 6.5% for the year ended 31 March 2016 to approximately 2.8% for the year ended 31 March 2017. Maintenance projects by nature involve less complicated tasks than installation and alteration and additions projects, thus incurring relatively less cost of materials. The decrease was mainly due to the increase in direct labour cost for the year ended 31 March 2017 as compared to the year ended 31 March 2016 due to the salary increment for the year ended 31 March 2017.

### **Other income and gains**

Other income and gains for the two years ended 31 March 2016 and 2017 amounted to approximately HK\$1.8 million and HK\$1.1 million respectively. The decrease in other income by approximately HK\$0.7 million for the year ended 31 March 2017 was mainly attributable to (i) the decrease in handling fee income of approximately HK\$0.8 million, and net of the (ii) increase in gain on disposal of motor vehicles of approximately HK\$104,000, and (iii) increase in gain on disposal of investment in multi income fund of approximately HK\$26,000.

### **Administrative and other operating expenses**

Administrative and other operating expenses for the year ended 31 March 2016 and 2017 amounted to HK\$8.0 million and HK\$8.7 million respectively. The increase by approximately HK\$0.7 million was mainly due to increase in staff cost by approximately HK\$0.8 million for salary increment and increase in average number of staff during the year ended 31 March 2017.

### **Finance Costs**

Our Group recorded finance costs of approximately HK\$232,000 and HK\$149,000 for each of the years ended 31 March 2016 and 2017 respectively. The decrease in finance cost was primarily attributable to the decrease in average outstanding balance of our bank borrowings during the year ended 31 March 2017.

## FINANCIAL INFORMATION

### **Income Tax**

Income tax increased by approximately HK\$1.5 million or 97.1% from approximately HK\$1.5 million for the year ended 31 March 2016 to approximately HK\$3.0 million for the year ended 31 March 2017, which was consistent with the increase in profit before income tax for the year ended 31 March 2017 as compared to the year ended 31 March 2016.

### **Profit for the year**

The profit for the year of our Group increased by approximately HK\$6.3 million or 71.8% from approximately HK\$8.7 million for the year ended 31 March 2016 to approximately HK\$15.0 million for the year ended 31 March 2017. The net profit margin of our Group amounted to approximately 7.1% and 9.3% for the year ended 31 March 2016 and 2017. The increase in profit for the year is mainly due to increase in our gross profit while partially offset by the increase in administration and other operating expenses.

*Four months ended 31 July 2017 compared to the four months ended 31 July 2016*

### **Revenue**

Our Group's revenue for the four months ended 31 July 2017 increased by approximately 65.7% or approximately HK\$26.6 million as compared to that for the four months ended 31 July 2016. The increase in revenue mainly contributed by the increase in revenue from installation works amounting to approximately HK\$26.8 million.

#### *Installation*

Our revenue generated from installation significantly increased by HK\$26.8 million or 110.3%, from approximately HK\$24.3 million for the four months ended 31 July 2016 to approximately HK\$51.1 million for the four months ended 31 July 2017, representing approximately 60.1% and 76.3% of our total revenue respectively. The increase in revenue from installation was mainly due to 11 sizable projects which commenced after May 2016.

#### *Alteration and addition works*

Our revenue generated from alteration and addition works slightly decreased by HK\$0.4 million or 2.9%, from approximately HK\$15.0 million for the four months ended 31 July 2016 to approximately HK\$14.5 million for the four months ended 31 July 2017, representing approximately 37.0% and 21.7% of our total revenue respectively. The decrease was primarily due to that the number of customers decreased compared to the four months ended 31 July 2016.

#### *Maintenance*

Our revenue generated from maintenance services amounted to approximately HK\$1.2 million and HK\$1.4 million for the four months ended 31 July 2016 and 2017, representing 2.9% and 2.0% of our total revenue respectively.

## FINANCIAL INFORMATION

### **Cost of revenue**

Cost of revenue increased from approximately HK\$34.6 million for the four months ended 31 July 2016 to approximately HK\$55.6 million for the four months ended 31 July 2017, representing an increase of approximately HK\$21.0 million. Such increase was in line with the increase in our revenue by approximately 65.7% during the same period. The increase was primarily due to an increase in subcontracting charges and materials cost resulting from more sizable projects commenced by our Group after May 2016.

### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$5.6 million, or 95.3% from HK\$5.8 million for the four months ended 31 July 2016 to HK\$11.4 million for the four months ended 31 July 2017. The gross profit margin increased from approximately 14.4% for the four months ended 31 July 2016 to 17.0% for the four month ended 31 July 2017. The increase in the gross profit was mainly due to the growth of the revenue from installation, but partially offset by the decline in gross profit margin of our alteration and addition works and maintenance services.

#### *Installation works*

For the four months ended 31 July 2016 and 31 July 2017, the gross profit from installation works was approximately HK\$3.3 million and HK\$8.3 million, respectively.

Gross profit margin of our installation works increased from approximately 13.7% for the four months ended 31 July 2016 to approximately 16.3% for the four months ended 31 July 2017.

Hence, the increase in gross profit was primarily driven by the increase in revenue, which was mainly due to (i) the substantial works of a residential project in Sha Tin for Customer H and a commercial project in Lai Chi Kok for Customer K completed during the four months ended 31 July 2017 which contributed revenue of approximately HK\$15.5 million for the four months ended 31 July 2017; and (ii) three installation projects with higher gross profit margin, ranged from 19.3% to 21.6%, were entering the peak period during the four months ended 31 July 2017 while they just commenced during the four months ended 31 July 2016, which contributed revenue of approximately HK\$45,000 and HK\$12.1 million for the four months ended 31 July 2016 and 31 July 2017 respectively.

For these three installation projects, they have higher gross profit margin because of the scale of work are relatively more sizeable, the contract sum of which ranged from approximately HK\$25.0 million to HK\$101.2 million. Moreover, the installation project in North Point for Customer J requires higher complexity of comprehensive works due to its considerable technical specification since it is a composite building, which contributed approximately HK\$7.4 million during the four months ended 31 July 2017.

## FINANCIAL INFORMATION

### *Alteration and addition works*

For the four months ended 31 July 2016 and 31 July 2017, the gross profit from alteration and additions works was approximately HK\$2.4 million and HK\$3.0 million, respectively.

Gross profit margin of our alteration and addition works increased from approximately 16.4% for the four months ended 31 July 2016 to approximately 20.9% for the four months ended 31 July 2017.

For the four months ended 31 July 2016, gross profit margin for the period has been improved mainly due to the alteration and addition projects for a commercial building in Causeway Bay altogether with an original contract sum of approximately HK\$5.9 million which has a relatively higher gross profit margin. Each project lasted for approximately 3 to 6 months, and all were completed in August 2017. The revenue and gross profit recognised are approximately HK\$0.5 million and HK\$0.3 million for the four months ended 31 July 2016 respectively.

These alteration and addition works were at the prime location in the commercial area and requested for higher quality of works for pragmatic design, therefore we used our in-house team to perform the works to ensure the criteria could be met, which was generally more profitable by using our in-house team compared with other alteration and addition projects subcontracted to other subcontractors. Excluding this incidental project, GFE's gross profit margin for the four months ended 31 July 2016 would be normalised to approximately 14.6%.

For the four months ended 31 July 2017, gross profit margin for the period has been improved was mainly due to the alteration and addition projects for a commercial building in Causeway Bay and a shopping mall in Ma On Shan altogether with an original contract sum of approximately HK\$6.5 million which has a relatively higher gross profit margin. Each project lasted for approximately three to six months, and all were completed in September 2017. The revenue and gross profit recognised are approximately HK\$1.1 million and HK\$0.8 million for the four months ended 31 July 2017 respectively.

These alteration and addition works for the commercial building in Causeway Bay were at the prime location in the commercial area and requested for higher quality of works for pragmatic design, therefore we used our in-house team to perform the works to ensure the criteria could be met, which was generally more profitable by using our in-house team compared with other alteration and addition projects subcontracted to other subcontractors.

These alteration and addition works for the shopping mall in Ma On Shan required us to carry out within a short period of time after the opening hours of the shopping mall and requested for higher quality of works for pragmatic design, hence we allocated more in-house manpower to ensure the quality and requirements of such alteration and addition works could be satisfied within the short time frame, which we believe that it is the major reason for a higher profit margin for our services provided for the shopping mall. Excluding these incidental projects, GFE's gross profit margin for the four months ended 31 July 2017 would be normalised to approximately 16.9%.

As described above, GFE's adjusted gross profit margin after excluding these incidental projects is estimated to be 14.6% and 16.9% for the four months ended 31 July 2016 and 31 July 2017 respectively, and the Directors consider these to be within the range of our normal gross profit margin percentage.

## FINANCIAL INFORMATION

### *Maintenance services*

For the four months ended 31 July 2016 and 31 July 2017, the gross profit from maintenance services was approximately HK\$66,000 and HK\$45,000, respectively. Gross profit margin of our maintenance services decreased from approximately 5.7% for the four months ended 31 July 2016 to approximately 3.3% for the four months ended 31 July 2017. Maintenance projects by nature involve less complicated tasks than installation and alteration and additions projects, thus incurring relatively less cost of materials. The decrease was mainly due to the increase in direct labour cost for the four month ended 31 July 2017 as compared to the four months ended 31 July 2016 due to the salary increment for the four months ended 31 July 2017.

### **Other income and gains**

Other income and gains for the four months ended 31 July 2016 and 2017 amounted to approximately HK\$297,000 and HK\$212,000 respectively. The decrease in other income by approximately HK\$85,000 for the four months ended 31 July 2017 was mainly attributable to the decrease in handling fee income of approximately HK\$59,000.

### **Administrative and other operating expenses**

Administrative and other operating expenses for the four months ended 31 July 2016 and 2017 amounted to HK\$3.0 million and HK\$3.4 million respectively. The increase in the administrative and other operating expenses for the four months ended 31 July 2017 was mainly attributable to the increase in staff costs of approximately HK\$0.3 million.

### **Finance Costs**

Our Group recorded finance costs of approximately HK\$47,000 and HK\$35,000 for each of the four months ended 31 July 2016 and 2017 respectively. The finance costs maintained relatively stable level for the four months ended 31 July 2016 and 2017.

### **Income Tax**

Income tax increased by approximately HK\$776,000 or 142.1% from approximately HK\$546,000 for the four months ended 31 July 2016 to approximately HK\$1.3 million for the four months ended 31 July 2017, which was consistent with the increase in profit before income tax excluding the listing expenses of approximately HK\$7.9 million which is non-tax deductible for the four months ended 31 July 2017 as compared to the four months ended 31 July 2016.

### **Loss for the period**

The loss for the four months ended 31 July 2017 of our Group was approximately HK\$1.0 million. The loss for the period is mainly due to the listing expenses of approximately HK\$7.9 million incurred during the four months ended 31 July 2017.

## FINANCIAL INFORMATION

### COMBINED STATEMENTS OF FINANCIAL POSITION

The following set forth the selected financial information of our combined statements of financial position as at 31 March 2016 and 2017 and 31 July 2017, which are extracted from the Accountant's Report included in Appendix IA to this prospectus:

	<b>As at 31 March</b>	<b>2017</b>	<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	1,371	1,359	1,206
<b>Current assets</b>			
Trade and other receivables	17,155	32,071	38,395
Financial assets at fair value through profit or loss	1,692	–	–
Amounts due from customers of contract work	24,916	43,641	44,713
Amounts due from directors	33,083	28,784	–
Pledged deposits	2,495	5,601	4,761
Pledged bank deposits	9,744	8,231	6,231
Bank balances and cash	33,276	19,455	18,299
<b>Total current assets</b>	122,361	137,783	112,399
<b>Current Liabilities</b>			
Trade and other payables	54,756	54,043	48,715
Amounts due to customers of contract work	340	1,879	2,279
Obligations under finance leases	325	212	–
Bank borrowings, secured	3,074	1,911	1,640
Amounts due to directors of the Company and a director of a subsidiary	4,300	4,300	10,979
Amount due to a related company	34,997	33,154	6,386
Income tax payable	1,693	4,498	5,778
<b>Total current liabilities</b>	99,485	99,997	75,777
<b>Net current assets</b>	22,876	37,786	36,622
<b>Total assets less current liabilities</b>	24,247	39,145	37,828
<b>Non-current liabilities</b>			
Obligations under finance leases	374	285	–
<b>Net assets</b>	23,873	38,860	37,828
<b>Capital and reserves</b>			
Share capital	–	–	–
Reserves	23,873	38,860	37,828
<b>Total equity</b>	23,873	38,860	37,828



## FINANCIAL INFORMATION

### Property, plant and equipment

Our Group's property, plant and machinery mainly comprised leasehold improvement, motor vehicles and furniture and equipment. The carrying amount of property, plant and equipment maintained a similar level of approximately HK\$1.4 million, HK\$1.4 million and HK\$1.2 million as at 31 March 2016 and 2017 and 31 July 2017.

### Trade and other receivables

Our trade and other receivable consist of (i) trade receivables; (ii) deposits, prepayment and other receivables; and (iii) retention receivables in relation to completed and on-going projects.

Set out below is the composition of trade and other receivables as at 31 March 2016 and 2017 and 31 July 2017:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,792	16,698	17,418
Retention receivables	8,811	13,406	16,319
Deposits, prepayments and other receivables	552	1,967	4,658
	<u>17,155</u>	<u>32,071</u>	<u>38,395</u>

#### *Trade receivables*

Trade receivables primarily represent amounts receivable from our customers under our installation, and alteration and addition works and maintenance services. We usually receive progress payments from our customers on a monthly basis with reference to the value of works done. Generally, we submit an interim payment application on a monthly basis to our customer with reference to the works done, which will be subsequently certified by the authorised persons employed by the customers. It normally takes about 15 to 45 days from the date of interim payment application before receiving the payment certificate from our customers with which we will then proceed to bill our customers. For alteration and addition works projects, we may require our customers to prepay 30% to 50% of the total fee upon their acceptance of our tender or quotation as prepayment and settle the remaining fee upon completion of the project. For maintenance projects, we will issue bill to our customers for payment upon completion of each inspection.

As at 31 March 2016 and 2017 and 31 July 2017, the balance of our trade receivables was HK\$7.8 million, HK\$16.7 million and HK\$17.4 million, respectively. The amount of trade receivables as at 31 March 2017 increased by approximately HK\$8.9 million was primarily attributable to the business expansion as reflected in the increase in number of newly commenced projects in installation work segments. The amount of trade receivables as at 31 July 2017 increased by approximately HK\$0.7 million as more projects was certified by our customers subsequent to the year ended 31 March 2017.

## FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately HK\$17.2 million, representing approximately 98.6% of our trade receivables as at 31 July 2017 were subsequently settled.

The following table is an aging analysis of trade receivables based on the invoice date as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,697	9,883	10,617
31-60 days	773	5,985	3,568
61-90 days	315	487	349
91-180 days	1,496	310	1,830
181-365 days	73	33	1,046
Over 365 days	438	–	8
	<u>7,792</u>	<u>16,698</u>	<u>17,418</u>

The aging analysis of trade receivables based on due date, as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u>3,165</u>	<u>7,498</u>	<u>10,617</u>
Past due but not impaired			
Less than 30 days	2,390	8,823	3,681
61-90 days	1,083	40	270
91-180 days	643	304	1,969
181-365 days	137	33	873
Over 365 days	374	–	8
	<u>4,627</u>	<u>9,200</u>	<u>6,801</u>
Total	<u>7,792</u>	<u>16,698</u>	<u>17,418</u>

As at 31 March 2016 and 2017 and 31 July 2017, the trade receivables that were past due but not impaired were approximately HK\$4.6 million, HK\$9.2 million and HK\$6.8 million, respectively. Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## FINANCIAL INFORMATION

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, we did not recognise impairment on trade receivables.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>days</i>	<i>days</i>	<i>days</i>
Trade receivables turnover days <i>(note)</i>	<u>31</u>	<u>28</u>	<u>31</u>

*Note:* Our average trade receivables turnover days, calculated as the average trade receivables at the beginning and end of the period divided by turnover of the period and multiplied by 365 days/122 days for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017.

Our trade receivables turnover days were 31 days for the year ended 31 March 2016, 28 days for the year ended 31 March 2017 and 31 days for the four months ended 31 July 2017. There was no material changes in our trade receivables turnover days during the Track Record Period.

### **Retention receivables**

Retention monies are retained by customers based on progress of projects. 50% of the retention receivable will generally be released upon issuance of certificate practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contracts, which is usually 12 months.

Our retention receivables were approximately HK\$8.8 million, HK\$13.4 million and HK\$16.3 million as at 31 March 2016 and 2017 and 31 July 2017, respectively. The increase was because of retention money withheld for existing and new projects commencing during 31 March 2017 amounted to approximately HK\$5.9 million, net off the effect from the release of retention money upon expiry of defect liability period of approximately HK\$1.3 million. The increase was because of retention money withheld for existing projects commencing during 31 July 2017 amounted to approximately HK\$2.9 million.

As at 31 March 2016 and 2017 and 31 July 2017, retention receivables of approximately HK\$7.3 million, HK\$10.9 million and HK\$13.4 million were aged within one year.

The retention receivables are considered to be released within the normal operating cycle of the Group. At the Latest Practicable Date, 12.2% of the retention receivables as at 31 July 2017 were subsequently settled.

## FINANCIAL INFORMATION

### Financial assets at fair value through profit or loss

The following table sets out the detail of the fair value balance of the financial assets during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year/period	2,609	1,692	–
Unrealised loss included in administrative and other operating expenses	(167)	–	–
Disposal	(750)	(1,692)	–
	1,692	–	–
At the end of the year/period	1,692	–	–

Our Group subscribed fund units denominated in USD and HKD managed by international investment banks of approximately HK\$2.7 million during the year ended 31 March 2012 and the year ended 31 March 2015. The subscription of these fund units by our Group enables us to better manage our cash flows, and is not for speculative purposes. The financial assets in respect of the fund units are classified as financial assets at fair value through profit or loss. Our Group partially sold these fund units during the year ended 31 March 2016 and disposed the remaining during the year ended 31 March 2017. Hence, the balance of financial assets at fair value through profit or loss decreased from approximately HK\$1.7 million as at 31 March 2016 to nil as at 31 March 2017.

Our Group did not have investment in any other fund units or derivative financial instruments during the Track Record Period other than the aforesaid fund units. We currently and going forward have no plan to invest in any fund units or derivative financial instruments and has not identified any of such investment opportunity.

Notwithstanding, our Group has adopted a treasury policy in relation to investment in fund units or derivative financial instruments, which includes, among others, the following measures:

- (i) our account manager is responsible for preparing an investment proposal to analyse the risk, return and fund requirement of the proposed investment;
- (ii) our account manager is responsible for the administration of our investment and the performance of the investment should be reviewed on a monthly basis;
- (iii) the financial instrument is entered with reputable international financial institution with a purpose to manage the risk associated with the investment; and
- (iv) our Directors should be notified if the market value of the investment drops by 5% of the total investment cost or there is any significant downgrade of the rating of the investment.

## FINANCIAL INFORMATION

### Amounts due from/to customers of contract work

Our revenue from the provision of fire system installation services is recognised with reference to the value of works done of the relevant projects. Where contract costs incurred to date plus recognised profits less recognised losses, if any, exceed progress billings, the surplus is presented as an amount due from customers for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, if any, the surplus is presented as an amount due to customers for contract work.

The following table sets out the details of our amounts due from/to customers of contract work as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs incurred to date plus recognised profits	92,917	140,800	94,750
Less: Progress billings to date	<u>(68,341)</u>	<u>(99,038)</u>	<u>(52,316)</u>
	<u>24,576</u>	<u>41,762</u>	<u>42,434</u>
Amounts due from customers of contract work	24,916	43,641	44,713
Amounts due to customers of contract work	<u>(340)</u>	<u>(1,879)</u>	<u>(2,279)</u>
	<u><u>24,576</u></u>	<u><u>41,762</u></u>	<u><u>42,434</u></u>

The amounts due from/to customers of contract work are normally affected by (i) the amount of works handled by our Group at the time close to the end of each reporting period by reference to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing written payment approval by our customers for the project progress, which can vary significantly from period to period.

We normally submit an interim payment application on a monthly basis to our customers with reference to the value of works done by us of each project. Upon receiving our interim payment application, the authorised person of the project, such as the architect and/or quantity surveyor employed by our customer, will inspect and certify the amount of work done and then issue a payment certificate, which normally takes about 15 to 45 days from the date of interim payment application.

For the approval of our final payment application, we normally receive it after the issue of the certificate of completion of each project. In general, within three months after the expiry of the defect liability period and making good the defects, our customer will issue the certificate of completion to state the sum of all amounts previously certified and the contract sum as adjusted pursuant to the contract.

## FINANCIAL INFORMATION

Our amounts due from customers of contract work were approximately HK\$24.9 million and HK\$43.6 million as at 31 March 2016 and 2017, respectively. The increase was mainly attributed to (i) the increase in the final payment applications for the completed projects which are subject to the issue of the final certificate by approximately HK\$5.2 million to approximately HK\$13.3 million as at 31 March 2017. These amount is expected to be certified after the issue of the final certificate which will be within three months after the expiry of the defect liability period; and (ii) the increase in a number of installation projects which performed substantial works near the end of reporting period with application of interim payments subsequent to the year end of approximately HK\$13.5 million, such as two large-scale projects (provision of fire service system installation services for a residential project in Shatin and a data centre in Tseung Kwan O) undertaken by our Group during the respective year. Part of our work performed for these two projects during the year ended 31 March 2017 was certified by our customers subsequent to the end of reporting period.

Our amounts due from customers of contract work as at 31 July 2017 was approximately HK\$44.7 million, the increase was mainly attributed to the increase in the final payment applications for the completed projects which are subject to the issue of the final certificate by approximately HK\$13.3 million as at 31 March 2017 to HK\$16.1 million as at 31 July 2017. This amount is expected to be certified after the issue of the final certificate which will be within three months after the expiry of the defect liability period.

As at the Latest Practicable Date, the subsequent certified and billed amount related to the amounts due from customers of contract work as at 31 July 2017 were approximately HK\$26.1 million, representing approximately 58.3% of such amounts due from customers of contract work. Approximately 36.0% among the remaining approximately 41.7%, mainly represented by 10 projects, will be certified after the issue of the final certificate which will be within three months after the expiry of the defect liability period.

Regarding the said approximately 36.0%, the Company has obtained the confirmation from the customers or the responsible parties who certify the payment applications that these payment applications submitted will be certified without any material discrepancy, which approximately 22.9% is expected to be certified and billed by 31 March 2018, whereas the defect liability period of the remaining approximately 13.1% will be expired after 31 March 2018.

For the remaining approximately 5.7% of the amounts due from customers of contract work as at 31 July 2017, they were not subject to any material disagreement or dispute with relevant customers which are expected to be certified before the end of December 2017.

## FINANCIAL INFORMATION

### Balance with directors and a related company

During the Track Record Period, we entered into various transactions with directors and a related company. The following table sets forth a breakdown of our amounts due from/to the related parties as of the dates indicated:

	As at 31 March		As at 31 July
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from directors	33,083	28,784	–
Amounts due to directors	–	–	6,679
Amount due to a director of a subsidiary	4,300	4,300	4,300
Amount due to a related company	<u>34,997</u>	<u>33,154</u>	<u>6,386</u>

The balances with directors and a director of a subsidiary were non-trade in nature, unsecured, interest-free and repayable on demand, and were offset against the consideration for the acquisition of the workshop. The amount due to a related company was unsecured, interest-free and repayable on demand, and was subsequently eliminated after the GEL Acquisition. Upon completion of the GEL Acquisition, GEL became wholly-owned subsidiary of the Group. For details of these balances with directors, a director of a subsidiary and a related company, see notes 18 and note 24 to the Accountants' Report included in Appendix IA to this prospectus.

### Pledged deposits

Pledged deposits are placed with insurance companies as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. Our Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

The following table sets forth the details of the surety bonds in issue as at 31 March 2016 and 2017 and 31 July 2017:

	As at 31 March		As at 31 July
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of deposits pledged as collaterals for surety bonds in issue ( <i>HK\$'000</i> )	2,495	5,601	4,761
Number of projects that required issuance of surety bonds	4	10	9
Aggregate contract value of the projects that required issuance of surety bonds ( <i>HK\$'000</i> )	<u>65,261</u>	<u>166,531</u>	<u>145,540</u>

## FINANCIAL INFORMATION

Our deposits of approximately HK\$2.5 million, HK\$5.6 million and HK\$4.8 million as at 31 March 2016 and 2017 and 31 July 2017 were attributable to the issue of surety bonds in respect the agreement between the customers and our Group.

As at 31 March 2017, the increase of approximately HK\$3.1 million is mainly attributable to addition of pledged deposits of six new projects.

As at 31 July 2017, the decrease of approximately HK\$0.8 million is mainly attributable to release of pledged deposits of approximately HK\$0.8 million upon the completion of one project.

### Pledged bank deposits

Pledged bank deposits are placed with banks as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. Our Group has unconditionally and irrevocably agreed to indemnify the banks for claims and losses the banks may incur in respect of the surety bonds.

The following table sets forth the details of the surety bonds in issue as at 31 March 2016 and 2017 and 31 July 2017:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of deposits pledged as collaterals for surety bonds in issue ( <i>HK\$'000</i> )	9,744	8,231	6,231
Number of projects that required issuance of surety bonds	5	4	3
Aggregate contract value of the projects that required issuance of surety bonds ( <i>HK\$'000</i> )	215,243	200,293	169,877

Our deposits of approximately HK\$9.7 million, HK\$8.2 million and HK\$6.2 million as at 31 March 2016 and 2017 and 31 July 2017 were attributable to the issuance of surety bonds in respect the agreement between the customers and our Group.

As at 31 March 2017, the decrease of approximately HK\$1.5 million is mainly attributable to release of pledged deposits of approximately HK\$1.5 million upon the completion of one project.

As at 31 July 2017, the decrease of approximately HK\$2.0 million is mainly attributable to release of pledged deposits of approximately HK\$2.0 million upon the completion of one project.



## FINANCIAL INFORMATION

### Trade and other payables

The followings set forth our Group's trade payables as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	25,810	35,653	36,679
Retention payables	3,121	3,958	3,958
Other payables, accruals and deposits received	25,825	14,432	8,078
	<u>54,756</u>	<u>54,043</u>	<u>48,715</u>

The trade payables are generally affected by including, but not limited to, the amounts of work performed by our subcontractors, materials provided by our suppliers, timing of payment invoices received from our subcontractors and/or suppliers, and credit periods granted by our subcontractors and/or suppliers. The credit period granted by our suppliers and subcontractors is normally 30 to 90 days after issuance of invoice.

The balance of trade payables increased from approximately HK\$25.8 million as at 31 March 2016 to approximately HK\$35.7 million as at 31 March 2017. The increase was mainly due to increase in subcontracting charges incurred and materials purchased payable as a result of increase in revenue.

The balance of trade payables increased from approximately HK\$35.7 million as at 31 March 2017 to approximately HK\$36.7 million as at 31 July 2017. The increase was mainly due to increase in subcontracting charges incurred and materials purchased payable as a result of increase in revenue.

As at 31 March 2016 and 2017 and 31 July 2017, the aging analysis of the trade payables based on recognition date is as follows:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	14,324	13,587	13,423
31 – 60 days	1,618	3,596	2,543
61 – 90 days	1,975	5,158	2,991
Over 90 days	7,893	13,312	17,722
	<u>25,810</u>	<u>35,653</u>	<u>36,679</u>

## FINANCIAL INFORMATION

The trade payables aged over 90 days significantly increased by approximately HK\$5.4 million or 68.7%, from approximately HK\$7.9 million as at 31 March 2016 to approximately HK\$13.3 million as at 31 March 2017, representing approximately 30.6% and 37.3% of our total trade payables as at 31 March 2016 and 2017 respectively. The increase was primarily due to the subcontracting cost provision for projects in progress undertaken which is not billed by our subcontractors, thus the time of payment settlement would exceed 90 days depending on the receipt date of the payment invoice from the subcontractors instead of the recognition date. In addition, the said subcontracting cost provision for projects in progress increased is in line with the increase in the number of installation projects undertaken by us from 18 for the year ended 31 March 2016 to 26 for the year ended 31 March 2017.

The trade payables aged over 90 days further increased by approximately HK\$4.4 million or 33.1% from approximately HK\$13.3 million as at 31 March 2017 to approximately HK\$17.7 million as at 31 July 2017, representing approximately 37.3% and 48.3% of our total trade payables as at 31 March 2017 and 31 July 2017 respectively. The primary reason for the increase is that certain of our project customers need to go through longer process of obtaining final accounts for sizable installation projects. For the purpose of better treasury management, it is our practice to roughly match the timing of settlements to our subcontractors for those projects. The trade payables as at 31 July 2017 increased even though the trade receivables past due but not impaired decreased from HK\$9.2 million as at 31 March 2017 to HK\$6.8 million as at 31 July 2017 due to timing difference between the proceeds received from our customers and the payments made to our suppliers. Approximately trade payables of HK\$5.4 million aged over 90 days as at 31 July 2017 were settled in August and September 2017 where the related proceeds from the corresponding customers had been received as of 31 July 2017.

The following table sets forth our average trade payables turnover days for the periods indicated:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>days</i>	<i>days</i>	<i>days</i>
Trade payables turnover days ( <i>note</i> )	93	83	79

*Note:* Our trade payables turnover days, calculated as the average of trade payables at the beginning of the year and trade payables at the end of the year/period divided by the cost of revenue for the same period and multiplied by 365 days/122 days for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017.

Our turnover days of trade payables (comprising our payables to suppliers and payables to subcontractors) were approximately 93 days, 83 days and 79 days for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. Our trade payable turnover days decreased to approximately 83 days and 79 days for the year ended 31 March 2017 and the four months ended 31 July 2017, primarily due to accelerated settlement of trade payable during the period.

## FINANCIAL INFORMATION

### Retention payables

Retention monies are retained by our Group when the relevant projects are completed. The retention payables will generally be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months. As at 31 March 2016 and 2017 and 31 July 2017, retention payables of approximately HK\$2.2 million, HK\$1.0 million and HK\$1.0 million respectively were aged within 1 year.

### Other payables and accruals

As at 31 March 2016 and 2017 and 31 July 2017, included in other payables were amounts of HK\$24.1 million, HK\$11.9 million and HK\$Nil payable to a related company up to January 2017, Guarforce Engineering Consultant Ltd. (“GEC”), which wholly represented the receipt of service income on behalf of GEC derived from agreements with a developer and owner of integrated resorts in Macau for the projects of design, supply and install fire services systems in its integrated resorts in Macau. The other payable balance therefore represented payments received by GFE on behalf of GEC and such amount was settled by the end of July 2017. For details of the arrangement, please refer to “Financial Information — Description of selected components of combined statements of comprehensive income — Other income and gains”. The decrease was mainly due to decrease in payable with GEC to approximately HK\$11.9 million as at 31 March 2017 and subsequently to HK\$Nil as at 31 July 2017 when the balance is fully repaid.

### Tax liabilities

Our Group filed Profits Tax Return for the year of assessment 2015/16 with audited financial statements for the year ended 31 March 2016 and tax computation prepared by predecessor auditor. The Inland Revenue Department (the “IRD”) accepted the tax return and computation and raised assessment per return.

In preparation of the financial information of our Group for the Track Record Period, the management of our Company had identified errors, being mainly accounting errors in relation to the recognition of the contract revenue and the corresponding cost, in the statutory financial statements of GFE for the years prior to and the year ended 31 March 2016.

The accounting errors arise mainly from the “Completed Contract” method used in compiling the statutory financial statements for the years prior to and for the year ended 31 March 2016 which is not in accordance with HKAS 11. Based on the “Completed Contract” method so adopted, GFE recognised revenue and the corresponding costs from contract work after the certificates of completion were issued by contract customers. The issuance of these certificates of completion were usually delayed and not in line with job progress. However, according to HKAS 11, it requires revenue and corresponding costs or expenses to be recognised in the accounting period in which the services are rendered. Therefore, “Percentage of Completion” method was adopted by the Group in compiling the underlying financial statements during the Track Record Period. Application of the percentage of completion method on a retrospective basis affects the timing of recognition of contract revenue and the corresponding costs for the years prior to and for the year ended 31 March 2016 which led to cut-off error.

The cut-off error of contract revenue and the corresponding costs would deferred profits generated from long-term engineering contracts for a financial year to later years should percentage of completion method be adopted according to HKFRSs.

## FINANCIAL INFORMATION

Since these errors are merely timing differences, projects that were fully completed before 1 April 2015 would have no impact on the opening balances of the Group's financial statements and Hong Kong profits tax position as at 1 April 2015 as the relevant revenue and costs have been fully recognised up to that date. However, for incomplete and ongoing projects as at 1 April 2015, adjustments on the opening balances and opening Hong Kong profits tax payable are required.

In order to accurately adjust the opening balances of the Group's financial statements, the directors revisited all outstanding projects as at 1 April 2015 and recalculated the accumulated contract revenue and corresponding costs that should have been recorded in the Group's financial statements up to 1 April 2015 for each of them, based on percentage of completion method as estimated by reference to contract budget, costs incurred to date and costs to completion. Since the number of long term outstanding projects is in manageable size, the adjustments can be reliably calculated despite the Group's long operating history. Adjustment is also made to opening balance of Hong Kong profits tax payable as at 1 April 2015 for underprovided profit tax in relation to upward adjustments on retained profits of the Group as at 1 April 2015.

These adjustments have been reflected in the underlying financial statements of the Group for the Track Record Period.

As a result of the foregoing and taking into account of materiality, the tax undercharged for the year ended 31 March 2016 of approximately HK\$1.5 million has been restated in the financial statements of profit or loss for the year ended 31 March 2016. Such amount of tax undercharged is subject to final assessment of the IRD.

In this connection, Edwin Yeung & Company (CPA) Limited, the Group's tax consultant, has issued an independent Hong Kong tax opinion (the "**Tax Opinion**") as to the potential tax penalty resulting from the tax undercharged for the year ended 31 March 2016 which amounted to approximately HK\$1.5 million. Based on the Tax Opinion, Edwin Yeung & Company (CPA) Limited opines that, given that the filing to the IRD for tax reassessment is on voluntary basis, the IRD should categorise the case as voluntary disclosure. It is further opined in the Tax Opinion that the IRD is likely to assess the case as "fail to exercise reasonable care" which according to the Penalty Policy from the IRD website, the potential tax penalty shall be at 5% of the aggregated tax undercharged plus interest, being approximately HK\$78,497, whereas the maximum tax penalty is 30% of the aggregated tax undercharged, being approximately HK\$448,057. Based on the Tax Opinion, the potential tax penalty is unlikely to reach the maximum amount under the category of "fail to exercise reasonable care" and the potential tax penalty is expected to be approximately HK\$78,497, being 5% of the aggregated tax undercharged plus interest. Based on the Tax Opinion, the management of the Company considered that the amount of potential tax penalty that might be imposed by the IRD is immaterial, and no provision for such amount has been made to the financial information of the Group for the Track Record Period accordingly. Our tax consultant concluded that the method concurred by the former auditor in compiling the financial statements of GFE for the years before the year of assessment 2015/16 is not consistent with Hong Kong Accounting Standard 11 and Departmental Interpretation and Practice Notes 1. Since the method concurred by the former auditor was consistently adopted, overall there was no tax undercharged because of the shifting effect. Any tax undercharged is reflected in the year of assessment 2015/16 when the stage of completion method was adopted. It is anticipated that IRD, which is empowered to raise additional assessment under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) in the event of tax undercharged, will not incur additional administrative cost to raise

## FINANCIAL INFORMATION

additional assessments, and therefore will unlikely reopen the assessments for the years of assessment before 2015/16, because there was no overall tax undercharged as explained above. If there is no additional assessment, there is no tax undercharged, hence no penalty. Therefore, the Company is not liable, and will unlikely be liable, to penalty for those years. The Group has appointed a tax representative and made a voluntary filing to the IRD for tax reassessment for 2014/15 and 2015/16 on 5 September 2017.

To avoid similar incidents happening, we have adopted the following measures:

- (a) adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from installation contracts including having regular meeting with the project managers to understand the stage of completion of each project for appropriate recognition of revenue and costs;
- (b) employed a finance manager, a certified public accountant, in August 2017, to monitor financial reporting procedures to ensure the adoption of proper accounting policies;
- (c) the finance manager shall review the monthly management accounts prepared by the accounting team and involved in preparation of financial statements of the Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors;
- (d) regularly arrange its accounting team to attend training courses organised by accounting professional to enhance their accounting knowledge and to ensure compliance with accounting standards; and
- (e) the finance manager will also be responsible for reviewing the tax returns filed with the IRD, and if necessary, tax consultant will be consulted to ensure tax related laws and requirements are complied with.

Our internal control consultant, an independent third party, is of the opinion that the above mentioned internal control measures of the Company are effective and adequate in all material respects in minimizing the recurrence of similar non-compliance incidents.

## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth the breakdown of our Group's current assets and current liabilities as of the dates indicated below:

	As at 31 March		As at 31 July		As at
	2016	2017	2017	30 November	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
				(unaudited)	
<b>Current assets</b>					
Trade and other receivables	17,155	32,071	38,395	60,592	
Financial assets at fair value through profit or loss	1,692	–	–	–	
Amounts due from customers of contract work	24,916	43,641	44,713	51,683	
Amounts due from directors	33,083	28,784	–	440	
Pledged deposits	2,495	5,601	4,761	4,019	
Pledged bank deposits	9,744	8,231	6,231	6,216	
Bank balances and cash	33,276	19,455	18,299	19,054	
	122,361	137,783	112,399	142,004	
<b>Current Liabilities</b>					
Trade and other payables	54,756	54,043	48,715	72,136	
Amounts due to customers of contract work	340	1,879	2,279	2,279	
Obligations under finance leases	325	212	–	–	
Bank borrowings, secured	3,074	1,911	1,640	1,365	
Amounts due to directors of the Company and a director of a subsidiary	4,300	4,300	10,979	10,850	
Amount due to a related company	34,997	33,154	6,386	–	
Dividend payable	–	–	–	7,937	
Income tax payable	1,693	4,498	5,778	7,292	
	99,485	99,997	75,777	101,859	
<b>Net current assets</b>	22,876	37,786	36,622	40,145	

## FINANCIAL INFORMATION

Our current assets mainly included trade and other receivables, financial assets at fair value through profit or loss, amounts due from customers of contract work, amounts due from directors, pledged deposits, pledged bank deposits, and bank balances and cash. Our current liabilities mainly included trade and other payables, amounts due to customers of contract work, obligations under finance leases, bank borrowings, secured, amounts due to directors and a director of a subsidiary, amount due to a related company, and income tax payable.

As at 31 March 2016 and 2017 and 31 July 2017, our Group recorded net current assets amounted to approximately HK\$22.9 million, HK\$37.8 million and HK\$36.6 million. Our Group's net current assets maintained at approximately HK\$40.1 million as at 30 November 2017.

The increase of net current assets as at 31 March 2017 as compared to 31 March 2016 was mainly due to (i) the increase in trade and other receivables of approximately HK\$14.9 million, (ii) the increase in amounts due from customers of contract work of approximately HK\$18.7 million, and partly offset by (iii) the decrease in amount due to a related company of approximately HK\$1.8 million, (iv) the decrease in bank balances and cash of approximately HK\$13.8 million, and (v) the increase in income tax payable of approximately HK\$2.8 million.

The decrease of net current assets as at 31 July 2017 as compared to 31 March 2017 was mainly due to (i) the increase in amounts due to directors of approximately HK\$6.7 million, (ii) the decrease in bank balance and cash of approximately HK\$1.2 million, (iii) the decrease in amounts due from directors of approximately HK\$28.8 million and partly offset by (iv) the decrease in amounts due to a related company of approximately HK\$26.8 million, and (v) the decrease in trade and other payables of approximately HK\$5.3 million.

Based on the unaudited management accounts of our Group as at 30 November 2017, the net current assets amounted to approximately HK\$40.1 million. The increase as compared to 31 July 2017 was mainly due to the net effect of (i) the increase in trade and other receivables of approximately HK\$22.2 million; (ii) the increase of trade and other payables of approximately HK\$23.4 million, (iii) the increase in amounts due from customers of contract work of approximately HK\$7.0 million and (iv) the increase in bank balances and cash of approximately HK\$0.8 million.

## FINANCIAL INFORMATION

### CASH FLOWS

The following table summarises selected cash flows data from our combined statements of cash flows for the Track Record Period:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at beginning of year/period	29,877	33,276	19,455
Net cash generated from/(used in) operating activities	18,159	(17,668)	(7,727)
Net cash (used in)/generated from investing activities	(9,413)	5,491	695
Net cash (used in)/generated from financing activities	(5,347)	(1,644)	5,876
Cash and cash equivalent at the end of year/period	<u>33,276</u>	<u>19,455</u>	<u>18,299</u>

#### **Net cash generated from/(used in) operating activities**

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as, depreciation on property, plant and equipment, gain on disposal of property, plant and equipment, bank interest income, investment income, fair value change of financial assets at fair value through profit or loss, gain on disposal of financial assets at fair value through profit or loss, and finance costs. We primarily derive our cash inflows from the receipt of payments from customers. Our cash used in operations principally comprises purchases of materials and staff costs.

For the year ended 31 March 2016, our net cash generated from operating activities was approximately HK\$18.2 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK\$11.1 million; (ii) the decrease in trade and other receivables of approximately HK\$3.2 million; (iii) the increase in trade and other payables of approximately HK\$13.2 million; and (iv) the increase in amount due to a related company of approximately HK\$2.1 million. This was partially offset by (i) the increase in amounts due from customers of contract work of approximately HK\$10.4 million and (ii) the increase in pledge deposits of approximately HK\$1.3 million.

For the year ended 31 March 2017, our net cash used in operating activities was approximately HK\$17.7 million, primarily as a result of the combined effects of (i) approximately HK\$18.8 million operating cash flows before movements in working capital; (ii) the increase in amounts due to customers of contract work of approximately HK\$1.5 million; (iii) the decrease in pledge bank deposits of approximately HK\$1.5 million. This was partially offset by (i) the increase in trade and other receivables of approximately HK\$14.9 million; (ii) the increase in amounts due from customers of contract work of approximately HK\$18.7 million, (iii) the increase in pledged deposits of approximately HK\$3.1 million; and (iv) the decrease in amount due to a related company of approximately HK\$1.8 million.



## FINANCIAL INFORMATION

The increase in net cash used in operating activities for the year ended 31 March 2017 as compared to the year ended 31 March 2016 was attributable to the significant increases in i) the trade receivables and retention receivables balances as at 31 March 2017 as compared to 31 March 2016, from approximately HK\$7.8 million and HK\$8.8 million as at 31 March 2016 increased to approximately HK\$16.7 million and HK\$13.4 million as at 31 March 2017 respectively; and ii) increase in amounts due from customers of contract work of approximately HK\$18.7 million as compared to as at 31 March 2016 balance. The increase in these balances are primarily due to business expansion as reflected in the increase in number of newly commenced projects in installation work segments, in particular the two large-scale projects set out under the heading “Financial Information — Amounts due from/to customers of contract work” to this prospectus.

For the four months ended 31 July 2017, our net cash used in operating activities was approximately HK\$7.7 million, primarily as a result of the combined effects of (i) approximately HK\$0.6 million operating profit before movements in working capital; (ii) the increase in trade and other receivable of approximately HK\$6.3 million; (iii) the decrease in trade and other payables of approximately HK\$5.3 million; and (iv) the increase in amounts due from customers of contract work of approximately HK\$1.1 million. This was partially offset by (i) the increase in amounts due to customers of contract work of approximately HK\$0.4 million; (ii) the decrease in pledged deposits of approximately HK\$0.8 million; (iii) the increase in amount due to a related company of approximately HK\$1.2 million; and (iv) the decrease in pledge bank deposits of approximately HK\$2.0 million.

### **Net cash (used in)/generated from investing activities**

For the year ended 31 March 2016, our net cash used in investing activities was approximately HK\$9.4 million. The net cash used was mainly attributable cash outflow for (i) the increase in amounts due from directors of approximately HK\$10.0 million; and (ii) the purchase of property, plant and equipment of approximately HK\$0.3 million. This was partially offset by the proceed from sale of financial asset at fair value through profit or loss of approximately HK\$0.8 million.

For the year ended 31 March 2017, our net cash generated from investing activities was approximately HK\$5.5 million. The net cash used was mainly attributable cash inflow for (i) the decrease in amounts due from directors of approximately HK\$4.3 million; and (ii) the proceeds from sale of financial asset at fair value through profit or loss of approximately HK\$1.7 million. This was partially offset by the purchase of property, plant and equipment of approximately HK\$0.8 million.

For the four months ended 31 July 2017, our net cash generated from investing activities was approximately HK\$0.7 million. The net cash used was mainly attributable cash inflow for the decrease in amounts due from directors of approximately HK\$0.8 million.

## FINANCIAL INFORMATION

### Net cash (used in)/generated from financing activities

For the year ended 31 March 2016, our net cash used in financing activities was approximately HK\$5.3 million, mainly attributable to (i) the repayment of bank borrowings of approximately HK\$2.8 million; and (ii) the decrease in amount due to a director of a subsidiary of approximately HK\$2.0 million.

For the year ended 31 March 2017, our net cash used in financing activities was approximately HK\$1.6 million, mainly attributable to the repayment of bank borrowings of approximately HK\$1.2 million.

For the four months ended 31 July 2017, our net cash generated from financing activities was approximately HK\$5.9 million, primarily as a result of the combined effects of the increase in amounts due to directors of approximately HK\$6.7 million. The was partially offset by the capital element of finance lease payments of approximately HK\$0.5 million, and the repayments of bank borrowings of approximately HK\$0.3 million.

### INDEBTEDNESS

The following table sets out the amounts of our indebtedness as at the dates indicated:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current</b>				
Obligations under				
finance leases	325	212	–	–
Bank borrowings, guaranteed	3,074	1,911	1,640	1,365
Amounts due to directors of the Company and a director of a subsidiary	4,300	4,300	10,979	10,850
Amount due to a related company	34,997	33,154	6,386	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Non-current</b>				
Obligations under				
finance leases	374	285	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at 30 November 2017 for the purpose of this indebtedness statement, our Group's indebtedness consisted of bank borrowings, guaranteed of approximately HK\$1.4 million and amounts due to directors of the Company and a director of a subsidiary of approximately HK\$10.9 million. There are no material covenants relating to our Group's outstanding debts. As at 31 March 2016 and 2017, our Group had total borrowings (comprising obligations under finance leases, bank borrowings, guaranteed, amounts due to directors of the Company and a director of a subsidiary

## FINANCIAL INFORMATION

and amount due to a related company) of approximately HK\$43.0 million and HK\$39.9 million respectively. The decrease in total indebtedness as at 31 March 2017 as compared with 31 March 2016 was primarily due to the net effect of decrease in bank borrowings and amount due to a related company. The increase in total indebtedness as at 30 November 2017 as compared to 31 March 2017 was mainly due to the net effect of the decrease in amount due to a related company and increase in dividend payable.

As at 30 November 2017, our Group had total available banking facilities of approximately HK\$6.6 million, of which approximately HK\$4.0 million was utilised and approximately HK\$2.6 million was unrestricted and unutilised. We have not experienced any difficulty in obtaining bank borrowings to finance our operations during the Track Record Period.

Our Group will continue to seek bank financing for new projects upon award of new contracts. We will apply for new financing with banks upon award of new contract(s) in order to strengthen the working capital for daily operations and to meet the working capital for new contracts. We have not experienced any difficulties in obtaining bank borrowings to finance our operation during the Track Record Period.

Our Directors confirmed we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

### Bank borrowings

Bank borrowings of our Group contain a repayment on demand clause. Accordingly, all borrowings are classified as current liabilities in the combined statements of financial position. The following table sets out borrowings based on scheduled repayment dates:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
On demand or within one year	1,163	826	838	851
More than one year, but not exceeding two years	826	863	802	514
More than two years, but not exceeding five years	1,085	222	–	–
	3,074	1,911	1,640	1,365
	3,074	1,911	1,640	1,365

Our Group had bank borrowings of approximately HK\$3.1 million, HK\$1.9 million and HK\$1.4 million as at 31 March 2016 and 2017 and 30 November 2017 respectively, which were used for financing of our Group's engineering projects and overall expansion of our business.

## FINANCIAL INFORMATION

All of our Group's bank borrowings are denominated in Hong Kong dollar and the effective interest rates were as follows:

	As at 31 March		As at 31 July 2017	As at 30 November 2017 (unaudited)
	2016	2017		
Effective interest rate:				
variable-rate bank loans	4.5% to 5.0%	4.5%	4.5%	4.5%

As at 31 March 2016 and 2017 and 30 November 2017, our Group's banking facilities are guaranteed by:

- (i) personal guarantees of Mr. Ken Poon and Ms. Leung To Hong, the directors of a subsidiary; and Mr. Tong Bill, a director of a subsidiary up to 13 February 2017;
- (ii) loan guarantees issued by the Government of the Hong Kong Special Administrative Region; and
- (iii) personal guarantees of Mr. Ken Poon and Ms. Odilia Poon for GEL's facilities as at 30 November 2017.

The guarantees under the Special Loan Guarantee Scheme operated by the Government of the Hong Kong Special Administrative Region will be released and repaid in full upon Listing.

### Obligations under finance leases

Our Group leases certain of its motor vehicles and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance leases are due as follows:

	As at 31 March		As at 31 July 2017	As at 30 November 2017 (unaudited)
	2016	2017		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payment payable:				
Not later than one year	348	228	–	–
Later than one year and not more than five years	393	295	–	–
	741	523	–	–
Future finance charges on finance leases	42	26	–	–
Present value of finance lease liabilities	699	497	–	–

## FINANCIAL INFORMATION

The amount of obligations under finance leases was approximately HK\$699,000 and HK\$497,000, HK\$Nil and HK\$Nil as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 respectively.

Save as disclosed above, we did not have, at the closure of business on 30 November 2017, any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments or guarantees.

### CONTINGENT LIABILITIES

#### Guarantees

Our Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts as at the respective financial position dates as follow:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	27,482	29,641	27,542	25,391 (unaudited)

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of each Track Record Period.

As at the end of each of the Track Record Period, unless stated otherwise, our Group's bonding lines granted by the financial institutions are secured by:

- (i) our Group's leasehold land and buildings;
- (ii) our Group's bank deposits;
- (iii) personal guarantees of Ms. Lee To Yin, Mr. Ken Poon; and Mr. Tong Bill and Ms. Leung To Hong;
- (iv) a subordination agreement signed by Ms. Leung To Hong subordinating her loan to our Group in the amount of HK\$5,000,000 to all amounts owed by GFE to a bank; and
- (v) corporate guarantee of GFE.

## FINANCIAL INFORMATION

Those guarantees in (iii) above will be released and replaced by a corporate guarantee provided by our Company upon Listing. The Subordination agreement signed by Ms. Leung To Hong to subordinate her loan to our Group will be terminated before Listing.

Our Directors confirm that there was no material change to our Group's indebtedness and contingent liabilities after 30 November 2017 and up to the Latest Practicable Date.

### SUMMARY OF KEY FINANCIAL RATIOS

	<i>Notes</i>	As at/For the year ended 31 March		As at/For the four months ended 31 July
		2016	2017	2017
Gross profit margin	1	13.6%	16.0%	17.0%
Net profit margin	2	7.1%	9.3%	N/A
Current ratio ( <i>times</i> )	3	1.2	1.4	1.5
Gearing ratio	4	0.2	0.1	0.1
Net debt to equity ( <i>times</i> )	5	N/A	N/A	N/A
Return on equity	6	36.5%	38.6%	N/A
Return on total assets	7	7.0%	10.8%	N/A
Interest coverage ratio ( <i>times</i> )	8	45.2	122.0	9.3

*Notes:*

1. Gross profit margin equals gross profit for the year/period divided by revenue for the year/period.
2. Net profit margin equals net profit for the year/period divided by revenue for the year/period.
3. Current ratio is calculated by current assets over current liabilities as at the end of the respective year/period.
4. Gearing ratio is calculated by total debt over total equity as at the end of the respective year. Total debt is defined to include all interest-bearing loans and obligations under finance leases.
5. Net debt to equity is calculated by net debt over total equity as at the end of the respective year. Net debt includes all borrowings net of cash and cash equivalent.
6. Return on equity is calculated by profit for the year/period over total equity as at the end of the respective year/period.
7. Return on total assets is calculated by profit for the year/period over total assets at the end of the respective year/period.
8. Interest coverage ratio is calculated by profit for the year/period before interest and tax over interest expense for the year/period.

## FINANCIAL INFORMATION

### **Gross profit margin**

Our gross profit margin were approximately 13.6%, 16.0% and 17.0% for the financial years ended 31 March 2016 and 2017 and for the four months ended 31 July 2017. For further information in relation to our gross profit margin, please refer to the paragraph headed “Description of selected components of combined statements of comprehensive income — Gross profit and gross profit margin” in this section.

### **Net profit margin**

Our net profit margin was approximately 7.1% and 9.3% for the financial years ended 31 March 2016 and 2017, respectively. The increase was primarily attributable to increase in revenue and gross profit margin. The ratio was not applicable for the four months ended 31 July 2017 as net loss was incurred.

### **Current ratio**

The current ratio maintained at a relatively stable level at 1.2 times, 1.4 times and 1.5 times as at 31 March 2016 and 2017 and 31 July 2017.

### **Gearing ratio**

The gearing ratio records were 0.2 times, 0.1 times and 0.1 times as at 31 March 2016 and 2017 and 31 July 2017 respectively. The decrease of the ratio from 31 March 2016 to 31 March 2017 was mainly due to (i) the decrease in bank borrowings from approximately HK\$3.1 million as at 31 March 2016 to approximately HK\$1.9 million as at 31 March 2017; and (ii) increase in net profit to approximately HK\$15.0 million for the financial year ended 31 March 2017 from approximately HK\$8.7 million for the financial year ended 31 March 2016.

### **Net debt to equity**

We had a net cash position as at 31 March 2016 and 2017 and 31 July 2017.

### **Return on equity**

Our Group recorded an increase in return on equity from approximately 36.5% for the financial year ended 31 March 2016 to approximately 38.6% for the financial year ended 31 March 2017, which was mainly due to the increase in net profit to approximately HK\$15.0 million for the financial year ended 31 March 2017 from approximately HK\$8.7 million for the financial year ended 31 March 2016. The ratio was not applicable for the four months ended 31 July 2017 as net loss was incurred.

### **Return on total assets**

Our return on total assets increased approximately 10.8% for the financial year ended 31 March 2017 from approximately 7.0% for the financial year ended 31 March 2016, which was mainly due to the increase in net profit to approximately HK\$15.0 million for the financial year ended 31 March 2017 from approximately HK\$8.7 million for the financial year ended 31 March 2016. The ratio was not applicable for the four months ended 31 July 2017 as net loss was incurred.

## FINANCIAL INFORMATION

### Interest coverage ratio

The interest coverage ratio was approximately 45.2 times for the financial year ended 31 March 2016, 122.0 times for the financial year ended 31 March 2017; and 9.3 times for the four months ended 31 July 2017. Such changes were mainly due to the increase in our profit before interest and tax from operation of approximately HK\$7.7 million for the year ended 31 March 2017 and decrease in our profit before interest and tax from operation of approximately HK\$17.8 million for the four months ended 31 July 2017.

### CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchase of property, plant and equipment. Our capital expenditures were approximately HK\$0.8 million, HK\$0.9 million and HK\$82,000 for the financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 respectively for leasehold improvements of offices and the purchase of furniture and equipment and motor vehicles of during the financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Share Offer. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

### COMMITMENTS

#### Operating lease commitments

During the Track Record Period, our Group leases office premises under operating lease. The leases run for an initial period of one to two years. Our Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>82</u>	<u>44</u>	<u>95</u>

Our Group did not have significant capital commitments as at 31 March 2016 and 2017 and 31 July 2017.

### OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments and arrangements.



## FINANCIAL INFORMATION

### SUFFICIENCY OF WORKING CAPITAL

Taking into account the estimated net proceeds from the Share Offer, cash flows from our operations and existing indebtedness, our Directors are of the view, and the Sponsor concurs, that working capital available to our Group is sufficient for our present requirements for at least the next 12 months commencing from the date of this prospectus.

We expect to finance our working capital requirement for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans;
- the cash and cash equivalent available; and
- proceeds to be received by our Group from the Share Offer.

### CAPITAL MANAGEMENT

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

### FINANCIAL RISK MANAGEMENT

Our Group is exposed to liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in Note 31 to the historical financial information in the Accountants' Report.

### LISTING EXPENSES

Our Group recorded listing expenses of approximately HK\$7.9 million during the Track Record Period. Our Group expects that the total listing expenses, which is non-recurring in nature, will amount to approximately HK\$22.8 million, of which (i) approximately HK\$8.6 million is directly attributable to the issue of the Offer Shares pursuant to the Listing and will be accounted for as a deduction from equity upon the Listing; and (ii) approximately HK\$14.2 million is expected to be charged to combined statements of comprehensive income for the year ending 31 March 2018.

Such listing expenses are current estimate for reference only. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

## FINANCIAL INFORMATION

### SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 July 2017, please refer to Note 34 to the Accountants' Report of the Group.

### DIVIDEND

The dividend declared by our Company's subsidiary, GEL, to our Controlling Shareholder during the year ended 31 March 2016 and 2017 and the period ended 31 July 2017 amounted to HK\$nil, approximately HK\$7.5 million and approximately HK\$0.4 million, respectively. Save as the above, our Group did not declare any dividend during the Track Record Period.

After reorganisation, the expected amount due to shareholders of the enlarged group would be approximately HK\$11.0 million. As at 31 July 2017, the retained profit of the Group amounted to approximately HK\$35.3 million. This represents the profit earned by the Shareholders for the Group before Listing. In December 2017, GFE has declared a special dividend of HK\$10.0 million to its ultimate shareholders. The net amount due to shareholders increased to approximately HK\$21.0 million after reorganisation and declaration of the special dividend. The Group has settled HK\$13.3 million by property asset as explained below and the remaining amount of HK\$7.7 million would be settled by cash before Listing.

In order to maintain sufficient cash position for daily operations, it is the best interest for the Group to minimize outflow using existing cash balance on hand and in the bank. Meanwhile, approximately HK\$14.5 million, out of the HK\$16.1 million bank facilities available, pertains to facilities for the sole purpose or providing for surety bonds in favor of our customers. As a result, the Directors agreed and sold the Group's property of Workshop No. 2 on the 13th Floor of Tak King Industrial Building, Chai Wan, Hong Kong for HK\$13.3 million to settle the amounts due to Shareholders.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed 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 our Board in the future.

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

### UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The unaudited pro forma combined net tangible assets of our Group has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 July 2017. Please see "Appendix IIB — Unaudited pro forma financial information" to this prospectus for details.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Upon completion of the GEL Acquisition, GEL became a wholly-owned subsidiary of Guardian Team. As such, the assets and financial results of the GEL have been consolidated into the accounts of the Group after completion.

The unaudited pro forma financial information of the enlarged Group as result of the GEL Acquisition has been prepared, for the purpose of illustrating the financial impact of the acquisition of entire issued share capital of GEL on the financial position of the Group as if the GEL Acquisition had been completed on 31 July 2017, and on the financial performance and cash flows of our Group as if the GEL Acquisition had taken place at the commencement of the financial year ended 31 March 2017. Please see “Appendix IIA — Unaudited pro forma financial information of the enlarged Group” to this prospectus for details.

### DESCRIPTION OF THE SELECTED COMPONENTS OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

#### Revenue and gross profit

As set out in Appendix IB, the audited revenue and gross profit of GEL for the year ended 31 March 2017 was approximately HK\$52.8 million and HK\$7.2 million, respectively, which was mainly derived from i) alteration and addition works; and ii) maintenance works. The GEL Acquisition would increase the Group’s revenue from approximately HK\$161.2 million to HK\$207.1 million and gross profit from approximately HK\$25.8 million to HK\$33.7 million after elimination of the transactions between the Group and GEL for the year ended 31 March 2017. The GEL Acquisition would further increase the Group’s revenue to approximately HK\$84.4 million and gross profit to approximately HK\$14.5 million after elimination of the transactions between the Group and GEL for the four months ended 31 July 2017.

The GEL Acquisition would increase the gross profit margin from approximately 16.0% to 16.3% which would be mainly due to the higher gross profit margin generated by GEL. For the four months ended 31 July 2017, the gross profit margin would further increase to approximately 17.2%.

#### Cash flow

From Appendix IB, cash and cash equivalents of GEL amounting to approximately HK\$4.9 million as at 31 March 2017 and approximately HK\$8.3 million as at 31 July 2017. Pursuant to the GEL Share Sale Agreement, the total consideration payable was HK\$0.3 million which was settled by cash. The consideration was determined based on the audited net asset value of GEL. The GEL Acquisition would increase the bank balances and cash of the Group from approximately HK\$19.5 million to HK\$24.0 million as at 31 March 2017 and would further increase to approximately HK\$26.3 million as at 31 July 2017.

In addition, the cash generated from operating activities of GEL was relatively stable for the year ended 31 March 2016 and 2017, amounting to approximately HK\$2.7 million and HK\$2.5 million respectively. The GEL Acquisition would decrease the operating cash outflow of operation from approximately HK\$17.7 million to HK\$15.2 million. For the four months ended 31 July 2017, the cash generated from operating activities of GEL amounted to approximately HK\$3.5 million. The GEL Acquisition would further decrease the operating cash outflow to approximately HK\$4.2 million.

## **FINANCIAL INFORMATION**

### **Balances between GEL and the Group**

The amount due from the Group by GEL of approximately HK\$33.2 million as at 31 March 2017 would be fully eliminated with the amount due to GEL by the Group. Upon and after the GEL Acquisition, GEL would become the subsidiary of the Group and any amount due to GEL in the book of GFE would be fully eliminated with the same amount due from GFE in the book of GEL, which was disclosed in note 4 of Appendix IIA.

### **Balances with related parties**

For the amount due to a related party of approximately HK\$28.0 million as at 31 March 2017, the amount has been settled and as at 30 September 2017, the amount due to a related party has become HK\$Nil.

### **RELATED PARTY TRANSACTIONS**

With respect to the related parties transactions set out in Note 27 of the Accountants' Report of our Group, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

### **FOREIGN EXCHANGE EXPOSURE**

Most of the income and expenditures of our Group is denominated in HK\$, being the functional currency of the operating subsidiary now comprising our Group. Hence, our Group does not have any material foreign exchange exposure.

### **MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that they have performed sufficient due diligence to ensure that as at the Latest Practicable Date and up to the date of this prospectus save for disclosed above, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 July 2017, being the date to which the latest audited financial statements of our Group were made up. Our Directors consider that all information necessary for the investing public to make an informed judgment as to the business activities and financial position of our Group has been included in this prospectus.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## FINANCIAL INFORMATION

### FINANCIAL INFORMATION OF GEL

On 3 August 2017, the GEL Share Sale Agreement was entered into among Mr. Ken Poon and Ms. Odilia Poon as the vendors and Guardian Team as the purchaser pursuant to which the Mr. Ken Poon and Ms. Odilia Poon agreed to sell, and Guardian Team agreed to purchase, the entire issued share capital of GEL. The consideration of the GEL Acquisition was approximately HK\$0.3 million which was determined on based on the audited net asset value of GEL. Guardian Team settled the consideration of the GEL Acquisition by cash. Upon completion of the GEL Acquisition, GEL became a wholly-owned subsidiary of Guardian Team. The accountants' report of GEL is set out in Appendix IB to this prospectus.

### RESULTS OF OPERATION OF GEL

The table below set out the statements of comprehensive income of GEL for the Track Record Period extracted from the accountants' report of GEL set out in Appendix IB to this prospectus:

	<b>For the year ended</b>		<b>For the four months ended</b>	
	<b>31 March</b>		<b>31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	52,574	52,783	19,152	19,206
Cost of revenue	<u>(45,024)</u>	<u>(45,540)</u>	<u>(16,270)</u>	<u>(16,299)</u>
<b>Gross profit</b>	7,550	7,243	2,882	2,907
Other income	733	653	202	177
Administrative and other operating expenses	<u>(7,684)</u>	<u>(6,728)</u>	<u>(2,026)</u>	<u>(2,562)</u>
<b>Profit before income tax</b>	599	1,168	1,058	522
Income tax	<u>(102)</u>	<u>(173)</u>	<u>(155)</u>	<u>(85)</u>
<b>Profit and total comprehensive income for the year/period</b>	<u>497</u>	<u>995</u>	<u>903</u>	<u>437</u>

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

GEL generates revenue mainly derived from providing installation, alteration and addition works and maintenance services of E&M engineering systems to our customers in Hong Kong. The table below sets out GEL's revenue by service types for the Track Record Period:

Service types	Year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Percentage of total		Percentage of total		Percentage of total		Percentage of total	
	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %	Revenue <i>HK\$'000</i>	sales %
Installation	5,559	10.6	-	-	-	-	-	-
Alteration and addition works	43,819	83.3	49,145	93.1	17,785	92.9	17,357	90.4
Maintenance	3,196	6.1	3,638	6.9	1,367	7.1	1,849	9.6
<b>Total</b>	<b>52,574</b>	<b>100.0</b>	<b>52,783</b>	<b>100.0</b>	<b>19,152</b>	<b>100.0</b>	<b>19,206</b>	<b>100.0</b>

During the Track Record Period, GEL's revenue increased from approximately HK\$52.6 million for the year ended 31 March 2016 to approximately HK\$52.8 million for the year ended 31 March 2017, representing revenue growth of approximately 0.4%. The slight growth in revenue was due to the combined effect of (i) increase in approximately HK\$5.3 million of additions and alteration services, (ii) increase in approximately HK\$0.4 million of maintenance services and partially offset by reduction in approximately HK\$5.6 million of installation work during the year ended 31 March 2017 as the installation project was completed in the year ended 31 March 2016.

GEL's revenue maintained at similar level of approximately HK\$19.2 million for the four months ended 31 July 2016 and 2017 respectively. Over 90.0% of GEL's revenue were derived from alteration and additions services for the four months ended 31 July 2016 and 2017.

## FINANCIAL INFORMATION

### Cost of revenue

The cost of revenue mainly consists of cost of materials costs, labour costs, and subcontracting costs. The table below sets forth the cost of revenue during the Track Record Period:

	Year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Subcontracting costs	29,697	66.0	37,088	81.4	13,516	83.1	13,063	80.1
Material costs	12,407	27.5	6,150	13.5	1,860	11.4	2,360	14.5
Labour costs	2,036	4.5	1,905	4.2	854	5.2	662	4.1
Others	884	2.0	397	0.9	40	0.3	214	1.3
<b>Total</b>	<b>45,024</b>	<b>100.0</b>	<b>45,540</b>	<b>100.0</b>	<b>16,270</b>	<b>100.0</b>	<b>16,299</b>	<b>100.0</b>

Subcontracting costs formed the largest component of our cost of revenue and represented approximately 66.0% of our cost of revenue for the year ended 31 March 2016 and approximately 81.4% for the year ended 31 March 2017. The remaining mainly represented by material costs and labour costs. The total costs of revenue increased from approximately HK\$45.0 million for the year ended 31 March 2016 to approximately HK\$45.5 million for the year ended 31 March 2017, mainly due to reduction in materials costs during the year ended 31 March 2017 after completion of the installation project in the year ended 31 March 2016 which is net off by the increase in subcontracting costs from approximately HK\$29.7 million for the year ended 31 March 2016 to approximately HK\$37.1 million for the year ended 31 March 2017, as GEL subcontracted more projects related to maintenance services during the year ended 31 March 2017.

The cost of revenue for the four months ended 31 July 2016 and 2017 maintained at similar level of approximately HK\$16.3 million respectively with subcontracting costs formed the largest component of the cost of revenue and represented approximately 83.1% and 80.1% for the four months ended 31 July 2016 and 2017 respectively.

### Gross profit and gross profit margin

Gross profit is calculated based on the revenue for the year minus cost of sales for the year. Gross profit margin is calculated based on the gross profit for the year divided by the revenue for the year and multiplied by 100%. The gross profit for each of the two years ended 31 March 2017 amounted to approximately HK\$7.6 million and HK\$7.2 million respectively, representing gross profit margin of 14.4% and 13.7% respectively. The gross profit for the four months ended 31 July 2016 and 2017 amounted to approximately HK\$2.9 million and HK\$2.9 million respectively, representing gross profit margin of 15.0% and 15.1% respectively.

Our gross profit margin of our projects depends on a number of factors, including but not limited to, scope of work, technical complexity, variation orders and/or work programme, and therefore varies from project to project.

## FINANCIAL INFORMATION

Accordingly, for all of our projects, installation, alteration and addition works or maintenance services, public or private, our Directors are of the view that no clear benchmark of profit margin based on our three business segments could be established. It is our Directors' objective to maximise gross profit margin for each project. Among the projects completed by the Group during the Track Record Period, no loss making project was recorded. In determining the gross profit margin for each of the projects, the following factors were considered including (i) the customer base; (ii) the operation, e.g. the level of human resources to be involved, strategies used etc., during the quotation and tendering process; and (iii) the nature of work, e.g. the scope of work, technical complexity, unit rate of materials requested by the customers or consistent with the materials using by existing buildings and the hourly rate of staff cost depending on the requirement of working during office hour or non-office hour etc., by the Group and GEL. Therefore, the gross profit margin varies in different projects. Hence, based on the abovementioned factors and our Directors' objective, the overall gross profit margin recorded by the Group (for the year ended 31 March 2016, for the year ended 31 March 2017 and for the four months ended 31 July 2017: 13.6%, 16.0% and 17.0% respectively) and GEL (for the year ended 31 March 2016, for the year ended 31 March 2017 and for the four months ended 31 July 2017: 14.4%, 13.7% and 15.1% respectively) during the Track Record Period are different.

The following table sets forth the gross profit and gross margin by each of the service types for the Track Record Period:

	Year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %	Gross profit HK\$'000	Gross margin %
Installation	638	11.5	-	-	-	-	-	-
Alteration and addition works	6,699	15.3	7,023	14.3	2,793	15.7	2,785	16.0
Maintenance	213	6.7	220	6.0	89	6.5	122	6.6
<b>Total</b>	<b>7,550</b>	<b>14.4</b>	<b>7,243</b>	<b>13.7</b>	<b>2,882</b>	<b>15.0</b>	<b>2,907</b>	<b>15.1</b>

The gross margin of the installation was approximately HK\$0.6 million, or approximately 11.5% for the year ended 31 March 2016 and dropped to nil for the year ended 31 March 2017 and also for the four months ended 31 July 2017. The reduction was mainly due to the completion of the installation project during the year ended 31 March 2016.

For alteration and addition works, the gross profit was approximately HK\$6.7 million, or approximately 15.3% for the year ended 31 March 2016 and approximately HK\$7.0 million or approximately 14.3% for the year ended 31 March 2017. The lower gross margin for the year ended 31 March 2017 was mainly due to increase in alteration and addition projects with lower gross profit margin during the year ended 31 March 2017. The gross profit maintained at similar level of approximately HK\$2.8 million or approximately 15.7% for the four months ended 31 July 2016 and approximately HK\$2.8 million or approximately 16.0% for the four months ended 31 July 2017.



## FINANCIAL INFORMATION

For maintenance works, the gross profit for the two years ended 31 March 2017 maintained at stable level, amounted to approximately HK\$0.2 million, or approximately 6.7% for the year ended 31 March 2016 and approximately HK\$0.2 million or approximately 6.0% for the year ended 31 March 2017. The gross profit maintained at approximately HK\$0.1 million or approximately 6.5% and 6.6% for the four months ended 31 July 2016 and 2017 respectively.

### Other income

Other income of GEL represents administration fee income received from GFE amounting to approximately HK\$0.7 million and HK\$0.7 million for the year ended 31 March 2016 and 31 March 2017 respectively, and approximately HK\$0.2 million for the four months ended 31 July 2016 and 2017 respectively.

### Administrative and other operating expenses

Administrative expenses mainly consist of staff costs with respect to administrative personnel, travelling and entertainment expenses, impairment of trade receivables and other miscellaneous administrative expenses such as depreciation and rent and rates.

The following table sets out the administrative expenses by nature during the Track Record Period:

	Year ended 31 March				For the four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	2,524	32.8	2,923	43.4	728	35.9	1,080	42.2
Depreciation	226	2.9	103	1.5	29	1.4	23	0.9
Impairment of trade receivables	680	8.8	322	4.8	140	6.9	97	3.8
Travelling and entertainment	2,687	35.0	1,605	23.9	442	21.8	560	21.9
Others	1,567	20.5	1,775	26.4	687	34.0	802	31.3
<b>Total</b>	<b>7,684</b>	<b>100.0</b>	<b>6,728</b>	<b>100.0</b>	<b>2,026</b>	<b>100.0</b>	<b>2,562</b>	<b>100.0</b>

## FINANCIAL INFORMATION

The administrative expenses include staff costs, depreciation, travelling and entertainment expenses, impairment of trade receivables and other administrative expenses. The administrative expenses amounted to approximately HK\$7.7 million for the financial year ended 31 March 2016 and reduced to approximately HK\$6.7 million for the financial year ended 31 March 2017. The administrative expenses amounted to approximately HK\$2.0 million for the four months ended 31 July 2016 and approximately HK\$2.6 million for the four months ended 31 July 2017.

The decrease in administrative expenses is mainly due to combined effect of (i) decrease in travelling and entertainment expenses from approximately HK\$2.7 million for the year ended 31 March 2016 to approximately HK\$1.6 million for the financial year ended 31 March 2017 as GEL subcontracted more projects related to alteration and addition works and hence less travellings are required; and (ii) increase in staff costs mainly attributable to average salary increment of approximately 10.0% during the financial year ended 31 March 2017. The impairment of trade receivables amounted to approximately HK\$0.7 million and approximately HK\$0.3 million for the two financial years ended 31 March 2017, respectively, are related to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The slight increase in administrative expenses for the four months ended 31 July 2017 as compared to corresponding period was mainly due to average salary increment of approximately 10.0% during the financial year ended 31 March 2017.

### **Profit for the year/period**

For the financial years ended 31 March 2016 and 2017, GEL recorded net profit of approximately HK\$0.5 million and approximately HK\$1.0 million, respectively. The improvement on net profit was mainly due to less administrative and other operating expenses incurred during the financial year ended 31 March 2017. The net profit for the four months ended 31 July 2016 dropped from approximately HK\$0.9 million to approximately HK\$0.4 million for the four months ended 31 July 2017, which was mainly due to the increase in administrative and other operating expenses.

## FINANCIAL INFORMATION

### CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out details of GEL's current assets and current liabilities as at 31 March 2016, 31 March 2017, 31 July 2017 and 30 November 2017, which are extracted from the accountant's report of GEL included in Appendix IB to this prospectus:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
<b>Current assets</b>				
Trade and other receivables	7,676	14,322	14,972	22,861
Amounts due from customers of contract work	61	–	–	–
Amount due from a related company	34,997	33,154	6,386	6,459
Amount due from a related party	–	–	20	440
Bank balances and cash	8,104	4,921	8,301	9,482
	50,838	52,397	29,679	39,242
<b>Current Liabilities</b>				
Trade and other payables	10,338	16,492	21,326	30,598
Amount due to a related party	33,635	28,009	–	–
Dividend payable	–	7,500	7,937	7,937
Income tax payable	403	250	250	324
	44,376	52,251	29,513	38,859
<b>Net current assets/(liabilities)</b>	<b>6,462</b>	<b>146</b>	<b>166</b>	<b>383</b>

The current assets mainly included trade and other receivables, amounts due from customers of contract work, amount due from a related company, and bank balances and cash. The current assets increased slightly from approximately HK\$50.9 million as at 31 March 2016 to approximately HK\$52.4 million as at 31 March 2017, mainly due to the increase in trade and other receivables balance, and net-off by the reduction in bank and cash balances during the year ended 31 March 2017.

The current liabilities included trade and other payables, amount due to a related party, dividend payable and income tax payable. The current liabilities increased from approximately HK\$44.4 million as at 31 March 2016 to approximately HK\$52.3 million as at 31 March 2017, mainly due to the increase in trade and other payables and the increase in dividend payable of approximately HK\$7.5 million, and net-off by the decrease in amount due to a related party during the year ended 31 March 2017. The amount due to a related party of approximately HK\$28.0 million as at 31 March 2017 is interest-free, unsecured and repayable on demand. The balance will

## FINANCIAL INFORMATION

be settled in full before the Listing. The amount due from a related company of approximately HK\$33.2 million as at 31 March 2017 is interest-free, unsecured and repayable on demand. The balance was eliminated upon completion of the GEL acquisition as GEL became a wholly-owned subsidiary of our Company.

GEL recorded net current assets of approximately HK\$6.5 million as at 31 March 2016 and approximately HK\$0.1 million as at 31 March 2017, and maintained at approximately HK\$0.2 million as at 31 July 2017. GEL recorded net current assets of approximately HK\$383,000 as at 30 November 2017.

### CASH FLOWS

The following table summarises selected cash flows data from GEL's statements of cash flows for the Track Record Period:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at beginning of year/period	6,110	8,104	4,921
Net cash generated from operating activities	2,653	2,488	3,536
Net cash used in investing activity	(85)	(45)	(136)
Net cash used in financing activity	(574)	(5,626)	(20)
Cash and cash equivalent at the end of year/period	8,104	4,921	8,301

#### **Net cash generated from operating activities**

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items including depreciation on property, plant and equipment and impairment on trade receivables. GEL primarily derive its cash inflows from the receipt of payments from customers. The cash used in operations principally comprises purchases of materials, payment for subcontracting costs and staff costs.

For the financial year ended 31 March 2016, the net cash generated from operating activities was approximately HK\$2.7 million, primarily as a result of the combined effects of (i) approximately HK\$1.5 million operating cash flows before movements in working capital; (ii) the decrease in trade and other receivables of approximately HK\$4.5 million and (iii) the increase in trade and other payables of approximately HK\$0.6 million. This was partially offset by (i) the increase in amount due from a related company of approximately HK\$2.1 million and (ii) the decrease in amounts due to customers of contract work of approximately HK\$1.9 million.

## FINANCIAL INFORMATION

For the financial year ended 31 March 2017, the net cash generated from operating activities was approximately HK\$2.5 million, primarily as a result of the combined effects of (i) approximately HK\$1.6 million operating cash flows before movements in working capital; (ii) the decrease in amount due from a related company of approximately HK\$1.8 million, and (iii) the increase in trade and other payables of approximately HK\$6.2 million. This was partially offset by the increase in trade and other receivables of approximately HK\$7.0 million and the payment of income tax of approximately HK\$0.2 million.

For the four months ended 31 July 2017, net cash generated from operating activities was approximately HK\$3.5 million, primarily as a result of the combined effects of (i) approximately HK\$0.7 million operating cash flows before movement in working capital; (ii) the increase in trade and other payables of approximately HK\$4.8 million; (iii) the increase in trade and other receivables of approximately HK\$0.7 million; and (iv) the increase in amount due from a related company of approximately HK\$1.2 million.

### **Net cash used in investing activity**

For the financial year ended 31 March 2016, the net cash used in investing activity was approximately HK\$85,000. The net cash used was mainly attributable cash outflow for the acquisition of property, plant and equipment of approximately HK\$85,000.

For the financial year ended 31 March 2017, the net cash used in investing activity was approximately HK\$45,000. The net cash used was mainly attributable cash outflow for the acquisition of property, plant and equipment of approximately HK\$45,000.

For the four months ended 31 July 2017, the net cash used in investing activity was approximately HK\$0.1 million, which was mainly attributable for the acquisition of property, plant and equipment.

### **Net cash used in financing activity**

For financial the year ended 31 March 2016, the net cash used in financing activity was approximately HK\$0.6 million, solely attributable to the decrease in amount due to a related party of approximately HK\$0.6 million.

For the financial year ended 31 March 2017, the net cash used in financing activity was approximately HK\$5.6 million, solely attributable to the decrease in amount due to a related party of approximately HK\$5.6 million.

For the four months ended 31 July 2017, the net cash used in financing activity was approximately HK\$20,000, solely attributable to the decrease in amount due to a related party.

## FINANCIAL INFORMATION

### COMMITMENTS

#### Operating lease commitments

During the Track Record Period, GEL leased office premises under operating lease arrangement. The leases run for an initial period of six months to two years and are non-cancellable. The total future minimum lease payments under these leases which are due are as follow:

	<b>As at 31 March</b>		<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Present value of minimum lease payments:</b>			
Amounts due for settlement within 12 months	222	216	227
Amounts due for settlement after 12 months	–	414	199
	<u>          </u>	<u>          </u>	<u>          </u>

GEL did not have significant capital commitments as at 31 March 2016, 31 March 2017 and 31 July 2017.

### CAPITAL EXPENDITURES

GEL's capital expenditures primarily consisted of additions to property, plant and equipment. The following table sets out details of our capital expenditures during the Track Record Period:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements and furniture and equipment	85	45	136
	<u>          </u>	<u>          </u>	<u>          </u>

During the Track Record Period, GEL incurred capital expenditures of approximately HK\$85,000, HK\$45,000 and HK\$136,000 for the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. All of the capital expenditures were used for leasehold improvements and to acquire furniture and equipments to support daily operation of the business.

## FUTURE PLANS AND USE OF PROCEEDS

### **BUSINESS OBJECTIVE AND STRATEGIES**

Our goal is to further enhance our performance as one of the leading E&M engineering service providers focusing on fire service systems in Hong Kong. Please refer to the paragraph headed “Business — Business strategies” in this prospectus for a description of our business strategies.

### **REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS**

Our Directors believe that the Listing is strategically critical to our long-term growth as it will (i) provide us with avenues to raise capital for our expansion plan; (ii) enhance our corporate profile and brand recognition; and (iii) enable us to have stronger ability to attract and retain suitable personnel.

#### **(i) Avenues to raise capital for our expansion**

We have historically been relying on internally generated funds to support our business capital requirements. The net proceeds of the Share Offer will provide us with the necessary funding to expand our business, allow us to take up larger projects and strengthen our financial positions. The Directors consider that there is a shortfall of the capital for the Group to conduct the Company’s expansion plan after taking account of the followings:

- (a) As at 30 November 2017, our Group’s cash and bank balances was approximately HK\$19.1 million. The Directors consider the current balances can support the Group’s existing operations, but cannot support the Group’s growth. The net proceeds expected to be received by us from the Share Offer are necessary for the implementation of the Group’s future plans which require capital of approximately HK\$33.9 million for expanding and increasing our capacity in providing installation and maintenance services for fire safety system, expanding our manpower for project execution and strengthening the expertise and skills of our staff, expanding to the dealership network for building management system and automatic fire alarm system, streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop and developing a 3D design system and on ERP system to enhance our project planning, management and implementation. As such, without the proceeds from the Share Offer, there is a shortfall of the capital for our Group to conduct the expansion plan.
- (b) As at the Latest Practicable Date, our Group had unutilised overdraft facility of HK\$2.5 million, which is well below the net proceeds of HK\$37.2 million to be raised from the Share Offer and used for the future plans of our Group.

In addition, we need to strengthen our financial capabilities to undertake more new and larger-scale projects which normally required performance bond of 10% of contract sum in respect of which our Group needs to place pledged deposits with banks or financial institutions to obtain the performance bonds.

## FUTURE PLANS AND USE OF PROCEEDS

- (c) As at 31 July 2017, our Group has cash and cash equivalents and trade and other receivables of approximately HK\$18.3 million and HK\$38.4 million, respectively, and they may be used to settle the trade and other payables of approximately HK\$48.7 million. However, there were approximately HK\$16.3 million retention receivables among the trade and other receivables. Half of the retention receivables will generally be released upon issuance of certificate of practical completion of the installation works and the remaining half will be generally released upon expiry of defect liability period. The Directors therefore consider that the cash and cash equivalents can support our Group's existing operations but cannot support the expansion plan above.
- (d) It would not be reasonable for our Group to spend all our available cash balance to grow without any working capital. The revenue to be generated from the sizeable installation projects in progress of our Group as at the Latest Practicable Date is expected to amount to approximately HK\$178.7 million for the year ending 31 March 2019, representing an increase of approximately 41.5% from the year ending 31 March 2018. The Directors consider that our cash and bank balances as at 30 November 2017 are sufficient for our business operation to undertake the projects and our Group needs additional funding to implement our future plans.

Therefore, the Group has a justifiable funding need and that it is in the interest of the Group to conduct equity financing through the Share Offer as our business do not have large amount of fixed asset that can be sufficiently used as collateral. Our Directors consider that it would be difficult for our Group to obtain the required bank borrowings at a reasonably competitive rate without having to provide appropriate collateral or personal guarantees as security. Our Directors confirm that we will commence the expansion plan after we have obtained the net proceeds from the Share Offer.

Our Directors considered as an E&M engineering service providers focusing on fire service systems, human capital is considered as one of the most valuable assets. Thus, the Group generally does not invest in any significant amount of fixed assets (e.g. land and buildings) to render its services. As such, our Group does not have any material amount of fixed assets available for security or pledge to support us to secure a higher amount of banking facilities for our business needs.

### **(ii) Enhancing our corporate profile and brand recognition**

Our directors believe that having a listing status is a complimentary advertising for our Group to our stake owners (including potential investors, customers, suppliers and subcontractors) and can enhance our corporate profile and credibility. This will (i) assist us in the tendering process for new projects as we would become a publicly recognized brand in the market; (ii) strengthen our relationship with our customers, suppliers and subcontractors based on higher confidence in our financial condition shown in our published financial reports and also due to more stringent disclosures and regulatory supervision as a listed company; (iii) promote our brand to potential new customers by having greater market presence; (iv) increase our bargaining power in negotiating terms with our suppliers and subcontractors as a business relationship with a listed company will be more appealing to them; and (v) increase our level of competitiveness with our competitors as the main competitors have been listed.



## FUTURE PLANS AND USE OF PROCEEDS

### **(iii) Stronger ability to attract and retain suitable personnel**

Our directors believe the Listing status will create a stronger employer image and in turn improve our ability to recruit, select, motivate and retain key management personnel, as we can offer an equity-based incentive programme whereby options to subscribe for our listed Shares can be granted to our employees and the interests of the Company and the employees will be more closely aligned.

Assuming that the Offer Price is determined at HK\$0.20 (being the mid-point of the Offer Price range), the aggregate amount of net proceeds of the Share Offer to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK\$37.2 million. Our Directors currently intend to apply such net proceeds in the following manners:

- (a) approximately HK\$13.7 million, representing approximately 36.8% of the net proceeds, will be used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system, among which HK\$11.0 million will be reserved for providing performance bonds only for three coming pipeline projects in Kwun Tong, Shau Kei Wan and Tai Po, with a total contract sum of approximately HK\$156.9 million, and HK\$2.7 million will be reserved for paying materials and subcontracting fees;
- (b) approximately HK\$5.9 million, representing approximately 15.9% of the net proceeds, will be used for expanding our manpower for project execution, including recruitment of two project managers, two assistant engineers, four technicians for project execution, one administration clerk and one safety officer;
- (c) approximately HK\$2.0 million, representing approximately 5.4% of the net proceeds, will be used for expansion to the dealership network for building management system and automatic fire alarm system, including recruitment of one project manager, one assistant engineer and one technician;
- (d) approximately HK\$7.6 million, representing approximately 20.4% of the net proceeds, will be used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop;
- (e) approximately HK\$4.7 million, representing approximately 12.6% of the net proceeds, will be used for developing a 3D design system and an ERP system to enhance our project planning, management and implementation; and
- (f) the remaining balance of approximately HK\$3.3 million, representing approximately 8.9% of the net proceeds, will be used for additional working capital and other general corporate purposes.

The above allocation of the net proceeds of the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is determined at a higher or lower level compared to the mid-point of the Offer Price range.

## FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Offer Price is determined at HK\$0.23 (being the high-end of the Offer Price range), our Company will receive additional net proceeds of approximately HK\$8.4 million. We current intend to apply such additional net proceeds to the above proposed ways of use of proceeds, on a pro-rata basis.

Assuming that the Offer Price is determined at HK\$0.17 (being the low-end of the Offer Price range), the net proceeds our Company receives will be reduced by approximately HK\$8.4 million. We currently intend to reduce the net proceeds to be applied to the above proposed ways of use of proceeds, on a pro rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph below in this section. **Investors should be aware that any part of our business plans may not proceed according to the time frame as described in this section due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.**

### IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 30 September 2019. Prospective investors should note that the milestones and their scheduled time for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Whilst the growth of the fire safety service market fluctuates, our Directors will use their best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans:

## FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 March 2018

Business strategies	Implementation plan	Use of proceeds <i>HK\$ million</i>
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>• For providing performance bonds amounting to approximately HK\$8.0 million for the two coming pipeline projects in Kwun Tong and Shau Kei Wan</li> </ul>	8.0
Expand our manpower for project execution	<ul style="list-style-type: none"> <li>• Recruit two project managers for project execution</li> <li>• Recruit two assistant engineers for project execution</li> <li>• Recruit four technicians for project execution</li> <li>• Recruit one administration clerk for administration and operation</li> <li>• Recruit one safety officer for safety supervision</li> </ul> <p>(referred to as the “<b>ten new staff</b>” hereinafter)</p>	1.1
Expand to the dealership network for building management system and automatic fire alarm system	<ul style="list-style-type: none"> <li>• Recruit one project manager for project execution</li> <li>• Recruit one assistant engineer for project execution</li> <li>• Recruit one technician for project execution</li> </ul> <p>(referred to as the “<b>three new staff</b>” hereinafter)</p>	0.4
Develop central pre-fabrication workshop	<ul style="list-style-type: none"> <li>• Identify and rent premise for constructing a workshop in Hong Kong, enter into tenancy agreement and pay rental deposit</li> </ul>	0.3

## FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

<b>Business strategies</b>	<b>Implementation plan</b>	<b>Use of proceeds <i>HK\$ million</i></b>
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>• For providing performance bond for the coming pipeline project in Tai Po</li> </ul>	3.0
	<ul style="list-style-type: none"> <li>• Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment of material costs and subcontracting fee for installation projects</li> </ul>	1.4
Expand our manpower for project execution	<ul style="list-style-type: none"> <li>• Salary payments for the ten new staff</li> </ul>	1.6
Expand to the dealership network for building management system and automatic fire alarm system	<ul style="list-style-type: none"> <li>• Salary payments for the three new staff</li> </ul>	0.6
Develop central pre-fabrication workshop	<ul style="list-style-type: none"> <li>• Rental payment for workshop</li> </ul>	0.8
	<ul style="list-style-type: none"> <li>• Fitting-out of the workshop</li> </ul>	0.1
	<ul style="list-style-type: none"> <li>• Purchase machinery and equipment</li> </ul>	1.8
	<ul style="list-style-type: none"> <li>• Recruit eight technicians to run the workshop</li> </ul>	1.0
Purchase 3D design system and ERP system	<ul style="list-style-type: none"> <li>• Engage a professional IT service provider to set a 3D design system and an ERP system (first payment of 50% of setup fee)</li> </ul>	2.3

## FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 31 March 2019**

<b>Business strategies</b>	<b>Implementation plan</b>	<b>Use of proceeds <i>HK\$ million</i></b>
Expand and increase our capacity to provide installation and maintenance services for fire safety system	<ul style="list-style-type: none"> <li>• Participate further in fire safety system installation and maintenance projects, and utilise the proceeds from the Share Offer to finance the net cash outflows required in early stage of execution of projects, including the prepayment of material costs and subcontracting fee for installation projects</li> </ul>	1.3
Expand our manpower for project execution	<ul style="list-style-type: none"> <li>• Salary payments for the ten new staff</li> </ul>	1.6
Expand to the dealership network for building management system and automatic fire alarm system	<ul style="list-style-type: none"> <li>• Salary payments for the three new staff</li> </ul>	0.5
Develop central pre-fabrication workshop	<ul style="list-style-type: none"> <li>• Rental payment for workshop</li> <li>• Recruit eight technicians to run the workshop</li> </ul>	0.8 1.0
Purchase 3D design system and ERP system	<ul style="list-style-type: none"> <li>• Set up the 3D design system and ERP system (payment of remaining 25% of setup fee)</li> </ul>	1.2

<b>FUTURE PLANS AND USE OF PROCEEDS</b>
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**For the six months ending 30 September 2019**

<b>Business strategies</b>	<b>Implementation plan</b>	<b>Use of proceeds <i>HK\$ million</i></b>
Expand our manpower for project execution	<ul style="list-style-type: none"> <li>• Salary payments for the ten new staff</li> </ul>	1.6
Expand to the dealership network for building management system and automatic fire alarm system	<ul style="list-style-type: none"> <li>• Salary payments for the three new staff</li> </ul>	0.5
Develop central pre-fabrication workshop	<ul style="list-style-type: none"> <li>• Rental payment for workshop</li> </ul>	0.8
	<ul style="list-style-type: none"> <li>• Recruit eight technicians to run the workshop</li> </ul>	1.0
Purchase 3D design system and ERP system	<ul style="list-style-type: none"> <li>• Set up the 3D design system and ERP system (payment of remaining 25% of setup fee)</li> </ul>	1.2

The remaining HK\$3.30 million (approximately 8.9% of the net proceeds) will be used as our general working capital.

## FUTURE PLANS AND USE OF PROCEEDS

### BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (f) our Group is able to maintain its customers;
- (g) our Group will be able to retain key staff in the management and the main operational departments;
- (h) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way;
- (i) there will be no change in the effectiveness of the authorisations and licences obtained by our Group; and
- (j) we will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.

## UNDERWRITING

### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners and Joint Lead Managers**

Kingsway Financial Services Group Limited

SBI China Capital Financial Services Limited

#### **Underwriters**

Kingsway Financial Services Group Limited

SBI China Capital Financial Services Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of the 30,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

##### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may, at their reasonable opinion, terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company (with a copy of such notice to the other parties to the Public Offer Underwriting Agreement) at any time before 8:00 a.m. (Hong Kong time) on the Listing Date if:



## UNDERWRITING

- (a) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Group Company**”) or the Share Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Joint Lead Managers have 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; or
  - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or
  - (iii) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
  - (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
  - (v) a change or development occurs involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
  - (vi) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or

## UNDERWRITING

- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any Group Company (other than those fully covered by an insurance policy of our Group Company), the executive Directors and/or our Controlling Shareholders; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any Group Company (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (xii) any material adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any Group Company, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any Group Company, or any investigation of any Group Company or an order for suspension of business by any governmental authority; or
- (xiii) the chairman or chief executive officer of our Company vacating his/her office in circumstances where the operations of our Group will be materially and adversely affected; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the Share Offer) 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 SFO or any other applicable laws by any of our Company, our Controlling Shareholders or our executive Directors,

## UNDERWRITING

which, individually or in aggregate, in the reasonable opinion of the Joint Lead Managers:

- (1) is/are or shall have or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, business, financial or other condition or prospects of our Group as a whole or in the case of sub-paragraph (b)(v) below, to any present or prospective shareholder of our Company in his, her or its capacity as such; or
  - (2) has/have or shall have or could reasonably 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) make(s) it inadvisable, inexpedient or impracticable for the Share Offer to proceed; or
  - (4) has or will or may be expected to have the effect of making any part of the Public Offer Underwriting Agreement or the Share Offer incapable of implementation or 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;
- (b) there has come to the notice of the Joint Lead Managers:
- (i) that any statement, considered by the Joint Lead Managers to be material in their absolute discretion, contained in any of this prospectus, Application Forms and any document in connection of the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation contained in any of such document is not true and honest and based on reasonable assumptions; 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 an omission therefrom reasonably considered by the Joint Lead Managers to be material to the Share Offer; or
  - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Public Offer Underwriters) which the Joint Lead Managers consider to be material; or
  - (iv) any change or development reasonably considered by the Joint Lead Managers to have or could be expected to have a material adverse effect on business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity profits, losses, results of operations, or the financial or trading position or otherwise, or performance of any Group Company; or

## UNDERWRITING

- (v) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties contained in the Public Offer Underwriting Agreement, which the Joint Lead Managers consider to be material; or
  - (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or
  - (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms, the post hearing information pack of this prospectus, the placing letters, any other documents agreed by our Company to be used in connection with the subscription of the Placing Shares or to the issue of any of such documents; or
  - (ix) our Company withdraws any of this prospectus, the Application Forms, the post hearing information pack of this prospectus, the placing letters, any other documents agreed by our Company to be used in connection with the subscription of the Placing Shares and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
  - (x) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting or issuing the Shares pursuant to the terms of the Share Offer; or
- (c) the Placing Underwriting Agreement and/or the Price Determination Agreement shall not have been executed at or before 12:00 noon on 6 February 2018 (or such other date or time as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters)).

### **Undertakings to the Public Offer Underwriters**

#### *Undertakings by our Company*

Our Company has undertaken to and covenanted with each of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and executive Directors has jointly and severally undertaken to and covenants with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that it shall:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rule 17.29 of the GEM Listing Rules, not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, offer, allot, issue or sell, or agree to allot, issue

## UNDERWRITING

or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of this prospectus up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rule 17.29 of the GEM Listing Rules;
- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and

provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Under Rule 17.29 of the GEM Listing Rules, we have also undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Share Offer (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

## UNDERWRITING

### *Undertakings by our Controlling Shareholders*

- (a) Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that, none of our Controlling Shareholders will, and they will procure the relevant registered holder(s) and their respective associates and companies controlled by them and any nominee or trustee holding in trust for them shall not:
- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six month Period**”), among others, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances (as defined below) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s);
  - (ii) in the period of six months commencing on the date immediately following the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and
  - (iii) in addition to the undertakings pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has further voluntarily undertaken to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that for a further 12 months commencing on the date on which the period referred to in (ii) above expires, he/it shall not, and he/it shall procure the relevant registered holder(s) and his/its respective associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and for avoidance of doubt, the non-disposal undertaking pursuant to this sub-paragraph shall not be waived or amended unless with the prior approval of independent Shareholders obtained in a general meeting of the Company.

## UNDERWRITING

- (b) Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange that during the 24 months period from the Listing Date:
- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
  - (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, when our Controlling Shareholders receive indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or, interests in the securities of our Company will be sold, transferred or disposed of, he/it must immediately inform our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such indications.

### **Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company, our Controlling Shareholders (except for Unity Trust which entered into the Placing Underwriting Agreement solely in its capacity as trustee of Alderhill Trust) and our Executive Directors will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

## UNDERWRITING

### **Commission, fees and expenses**

The Public Offer Underwriters will receive a gross underwriting commission of 9% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

Based on the Offer Price of HK\$0.20 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$22.8 million in total which shall be borne by our Company.

### **SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Sponsor will receive a sponsorship fee to the Share Offer. The Joint Bookrunners, Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium and/or management fee. Particulars of these underwriting commission, fees and expenses are set forth under the paragraph headed "Commission, fees and expenses" above.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Our Directors, the Joint Bookrunners and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.



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

### **THE SHARE OFFER**

This prospectus is published in connection with the Public Offer as part of the Share Offer.

The Share Offer consists of:

- (a) the Public Offer of 30,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “The Public Offer” below; and
- (b) the Placing of an aggregate of 270,000,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “The Public Offer — Reallocation” below.

References in this prospectus to applications, the Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### **THE PUBLIC OFFER**

#### **Number of Offer Shares initially offered**

Our Company is initially offering 30,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” of this section.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 15,000,000 Public Offer Shares, being the 50% of the 30,000,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

### Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A reallocation will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall apply a reallocation following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 90,000,000 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 120,000,000 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 150,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

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

In each case, additional Offer Shares will be reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer Shares are not fully subscribed, the Joint Lead Managers (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 Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. If the Placing Shares are not fully subscribed or purchased, the Joint Lead Managers (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 or un-purchased Placing Shares to the Public Offer in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

### **THE PLACING**

#### **Number of Offer Shares offered**

Subject to reallocation as described above, the Placing will consist of 270,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer.

#### **Allocation**

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

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

Allocation of Offer Shares pursuant to the Placing will be determined by the Joint Lead Managers and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

### **Reallocation**

The total number of Offer Shares to be issued and sold pursuant to the Placing may change as a result of the clawback arrangement described in the subsection headed "The Public Offer — Reallocation" above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

### **Offer Price range**

The Offer Price will not be more than HK\$0.23 per Offer Share and is expected to be not less than HK\$0.17 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.

### **Price payable on application**

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.23 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$4,646.35 per board lot of 20,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.23 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 8 February 2018, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### **Change to Offer Price range**

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.vistarholdings.com](http://www.vistarholdings.com) notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. 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 the 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 reduction in the number of the Offer Shares and/or 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 Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

### **Announcement of the Offer Price and the basis of allocations**

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Friday, 9 February 2018 on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.vistarholdings.com](http://www.vistarholdings.com) website.

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Tuesday, 6 February 2018. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" of this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, 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 30 days after the date of this prospectus:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- (ii) the entering into the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective 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 us on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.vistarholdings.com](http://www.vistarholdings.com) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Friday, 9 February 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 12 February 2018 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised.

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

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

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

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 12 February 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 12 February 2018.

The Shares will be traded in board lots of 20,000 Shares each. The stock code of the Shares is 8535.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the Joint Lead Managers, 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, our Company, the Sponsor, the Joint Bookrunners and Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the 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 our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) under the **HK eIPO White Form** service.

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, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 January 2018 to 12:00 noon on Monday, 5 February 2018 from:

- (i) the following office of the Public Offer Underwriters:

**Kingsway Financial Services Group Limited**  
7/F, Tower One  
Lippo Centre  
89 Queensway  
Hong Kong

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### **SBI China Capital Financial Services Limited**

Unit A2, 32/F, United Centre  
95 Queensway  
Hong Kong

- (ii) any of the following branches of **DBS Bank (Hong Kong) Limited**, the receiving bank for the Public Offer:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	North Point Branch	G/F, 391 King's Road, North Point
	Happy Valley Branch	G/F, 18A-22 King Kwong Street Happy Valley
<b>Kowloon</b>	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street Yaumatei
<b>New Territories</b>	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 prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 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 — Vistar Holdings 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:

- Wednesday, 31 January 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 1 February 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 2 February 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 3 February 2018 – 9:00 a.m. to 1:00 p.m.
- Monday, 5 February 2018 – 9:00 a.m. to 12:00 noon

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in “Effect of bad weather on the opening of the applications lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and/or the Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or 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 have chosen 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 our Company, the Directors, the Sponsor, the Joint Bookrunners and Joint Lead Managers 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 any one as your agent or by any other person; and

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **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 “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for submitting applications under the HK eIPO White Form**

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 31 January 2018 until 11:30 a.m. on Monday, 5 February 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 5 February 2018 or such later time under the “Effect of bad weather on the opening of the applications lists” in this section.

### **No multiple applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for 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 reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the 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 prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong 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 the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Joint 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 our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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 20,000 Public Offer Shares. Instructions for more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 31 January 2018 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 1 February 2018 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, 2 February 2018 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, 3 February 2018 – 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- Monday, 5 February 2018 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in “Effect of bad weather on the opening of the application lists” in this section.

### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 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 our Company, the Hong Kong Share Registrar, the receiving banker, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 5 February 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 the **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, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 20,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), 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).

### 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,

## HOW TO APPLY FOR PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 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 any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 5 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 the section headed “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 on Friday, 9 February 2018 on our Company’s website at [www.vistarholdings.com](http://www.vistarholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.vistarholdings.com](http://www.vistarholdings.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Friday, 9 February 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 9 February 2018 to 12:00 midnight on Thursday, 15 February 2018;
- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 February 2018 to Wednesday, 14 February 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 9 February 2018 to Tuesday, 13 February 2018 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” of 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the Joint Lead Managers, 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 of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **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;
- our Company, the Joint Bookrunners, or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.23 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "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 appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 9 February 2018.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on 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 Friday, 9 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 Monday, 12 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.



## 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 Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 9 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 as described 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 Friday, 9 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 Friday, 9 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 a 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

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 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 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018, or such other date as notified by our 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 Friday, 9 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.

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 Friday, 9 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of Results” above on Friday, 9 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 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 Friday, 9 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, 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 Friday, 9 February 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

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

*The following is the text of a report, prepared for the purpose of inclusion in this prospectus received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*



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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE GROUP TO THE DIRECTORS OF VISTAR HOLDINGS LIMITED AND KINGSWAY CAPITAL LIMITED

### *Introduction*

We report on the historical financial information of Vistar Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages IA-4 to IA-47, which comprises the combined statements of financial position as at 31 March 2016 and 2017 and 31 July 2017, and the statement of financial position of the Company as at 31 July 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of 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 IA-4 to IA-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 January 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company (the “**Listing**”) 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in Notes 2 and 4 of Section II to the Historical Financial Information respectively, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in Notes 2 and 4 of Section II to the Historical Financial Information respectively 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 financial position as at 31 July 2017, the Group's financial position as at 31 March 2016 and 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 presentation and basis of preparation set out in Notes 2 and 4 of Section II to the Historical Financial Information respectively.

#### *Review of stub period comparative Historical Financial Information*

We have reviewed the stub period comparative Historical Financial Information of the Group which comprises the combined statement of 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 (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and basis of preparation set out in Notes 2 and 4 of Section II to the Historical Financial Information respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Historical 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 Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and basis of preparation set out in Notes 2 and 4 of Section II to the Historical Financial Information respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

*Adjustments*

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

*Dividends*

No dividends have been paid by the Company in respect of the Track Record Period.

*No financial statements for the Company*

No financial statements have been prepared for the Company since its date of incorporation.

**BDO Limited**

*Certified Public Accountants*

**Lam Siu Fung**

Practising Certificate no. P05308

Hong Kong

31 January 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of the 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 (also referred to as the “**Relevant Periods**”), on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”) and were audited by BDO Limited.

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.

**I. HISTORICAL FINANCIAL INFORMATION****COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

		Year ended 31 March		Four months ended	
		2016	2017	31 July	
	Notes	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(Unaudited)	
Revenue	7	122,849	161,167	40,429	67,008
Cost of revenue		<u>(106,169)</u>	<u>(135,342)</u>	<u>(34,596)</u>	<u>(55,615)</u>
Gross profit		16,680	25,825	5,833	11,393
Other income and gains	8	1,842	1,084	297	212
Administrative and other operating expenses		(8,028)	(8,736)	(3,027)	(3,363)
Listing expenses		–	–	–	(7,917)
Finance costs	10	<u>(232)</u>	<u>(149)</u>	<u>(47)</u>	<u>(35)</u>
Profit before income tax	9	10,262	18,024	3,056	290
Income tax	11	<u>(1,541)</u>	<u>(3,037)</u>	<u>(546)</u>	<u>(1,322)</u>
Profit/(loss) and total comprehensive income for the year/period		<u>8,721</u>	<u>14,987</u>	<u>2,510</u>	<u>(1,032)</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		At as 31 July
		2016	2017	2017
	Notes	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14	1,371	1,359	1,206
<b>Current assets</b>				
Trade and other receivables	15	17,155	32,071	38,395
Financial assets at fair value through profit or loss	16	1,692	–	–
Amounts due from customers of contract work	17	24,916	43,641	44,713
Amounts due from directors	18	33,083	28,784	–
Pledged deposits	19	2,495	5,601	4,761
Pledged bank deposits	20	9,744	8,231	6,231
Bank balances and cash		33,276	19,455	18,299
Total current assets		122,361	137,783	112,399
<b>Current liabilities</b>				
Trade and other payables	21	54,756	54,043	48,715
Amounts due to customers of contract work	17	340	1,879	2,279
Obligations under finance leases	22	325	212	–
Bank borrowings, secured	23	3,074	1,911	1,640
Amounts due to directors of the Company and a director of a subsidiary	18	4,300	4,300	10,979
Amount due to a related company	24	34,997	33,154	6,386
Income tax payable		1,693	4,498	5,778
Total current liabilities		99,485	99,997	75,777
<b>Net current assets</b>		22,876	37,786	36,622
<b>Total assets less current liabilities</b>		24,247	39,145	37,828
<b>Non-current liabilities</b>				
Obligations under finance leases	22	374	285	–
<b>Net assets</b>		23,873	38,860	37,828
<b>Capital and reserves</b>				
Share capital	25	–	–	–
Reserves		23,873	38,860	37,828
<b>Total equity</b>		23,873	38,860	37,828



## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		<b>As at 31 July</b>
		<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>
<b>Non-current asset</b>		
Investment in a subsidiary		—
		<hr/>
<b>Net assets</b>		—
		<hr/> <hr/>
<b>Capital and reserves</b>		
Share capital	25	—
		<hr/>
<b>Total equity</b>		—
		<hr/> <hr/>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Legal reserve# <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 April 2015</b>	–	12,628	2,500	24	15,152
Profit and total comprehensive income for the year	<u>–</u>	<u>8,721</u>	<u>–</u>	<u>–</u>	<u>8,721</u>
<b>At 31 March 2016 and 1 April 2016</b>	–	21,349	2,500	24	23,873
Profit and total comprehensive income for the year	<u>–</u>	<u>14,987</u>	<u>–</u>	<u>–</u>	<u>14,987</u>
<b>At 31 March 2017 and 1 April 2017</b>	–	36,336	2,500	24	38,860
Loss and total comprehensive income for the period	<u>–</u>	<u>(1,032)</u>	<u>–</u>	<u>–</u>	<u>(1,032)</u>
<b>At 31 July 2017</b>	<u>–</u>	<u>35,304</u>	<u>2,500</u>	<u>24</u>	<u>37,828</u>
<b>At 1 April 2016</b>	–	21,349	2,500	24	23,873
Profit and total comprehensive income for the period	<u>–</u>	<u>2,510</u>	<u>–</u>	<u>–</u>	<u>2,510</u>
<b>At 31 July 2016 (Unaudited)</b>	<u>–</u>	<u>23,859</u>	<u>2,500</u>	<u>24</u>	<u>26,383</u>

# In accordance with the provisions of the Macau Commercial Code, the Group is required to transfer a minimum of 25% of the annual net profit arising from its branch in Macau to legal reserve on the appropriation of profits to dividends until the reserve equals half of the Group's capital injection in the branch.

\* For the purpose of this Historical Financial Information, other reserve represents the differences between the initial share capital balance of the Company and those of its subsidiaries now comprising the Group.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Operating activities</b>				
Profit before income tax	10,262	18,024	3,056	290
Adjustments for:				
Depreciation on property, plant and equipment	671	872	239	235
Gain on disposal of property, plant and equipment	(15)	(119)	–	(2)
Bank interest income	(74)	(7)	–	–
Investment income	(83)	(50)	(29)	–
Fair value loss on financial assets at fair value through profit or loss	167	–	–	–
Gain on disposal of financial assets at fair value through profit or loss	(28)	(54)	–	–
Finance costs	232	149	47	35
Operating profit before working capital changes	11,132	18,815	3,313	558
Decrease/(increase) in trade and other receivables	3,200	(14,916)	2,329	(6,324)
Increase in amounts due from customers of contract work	(10,417)	(18,725)	(4,601)	(1,072)
(Increase)/decrease in pledged deposits	(1,262)	(3,106)	1,228	840
Decrease/(increase) in pledged bank deposits	914	1,513	(4,281)	2,000
Increase/(decrease) in trade and other payables	13,233	(713)	(13,147)	(5,328)
(Decrease)/increase in amounts due to customers of contract work	(588)	1,539	22	400
Increase/(decrease) in amount due to a related company	2,065	(1,843)	4,872	1,241
Cash generated from/(used in) operating activities	18,277	(17,436)	(10,265)	(7,685)
Income tax paid	(118)	(232)	(73)	(42)
<b>Net cash generated from/(used in) operating activities</b>	<b>18,159</b>	<b>(17,668)</b>	<b>(10,338)</b>	<b>(7,727)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(328)	(761)	(20)	(82)
Proceeds from disposal of property, plant and equipment	15	150	–	2
(Increase)/decrease in amounts due from directors	(10,035)	4,299	(5,224)	775
Investment income received	83	50	29	–
Proceeds from sale of financial assets at fair value through profit or loss	778	1,746	–	–
Interest received	74	7	–	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(9,413)</b>	<b>5,491</b>	<b>(5,215)</b>	<b>695</b>

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Financing activities</b>				
Repayments of bank borrowings	(2,793)	(1,163)	(603)	(271)
Capital element of finance lease payments	(348)	(332)	(147)	(497)
Interest paid on bank borrowings	(196)	(124)	(47)	(27)
Interest paid on obligations under finance leases	(40)	(25)	–	(8)
(Decrease)/increase in amounts due to directors of the Company and a director of a subsidiary	(1,970)	–	–	6,679
<b>Net cash (used in)/generated from financing activities</b>	<u>(5,347)</u>	<u>(1,644)</u>	<u>(797)</u>	<u>5,876</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,399	(13,821)	(16,350)	(1,156)
<b>Cash and cash equivalents at beginning of year/period</b>	<u>29,877</u>	<u>33,276</u>	<u>33,276</u>	<u>19,455</u>
<b>Cash and cash equivalents at end of year/period</b>	<u><u>33,276</u></u>	<u><u>19,455</u></u>	<u><u>16,926</u></u>	<u><u>18,299</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>				
Bank balances and cash	<u><u>33,276</u></u>	<u><u>19,455</u></u>	<u><u>16,926</u></u>	<u><u>18,299</u></u>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 27 June 2017. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands. Its principal place of business is located at Unit 2, 13/F, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong.

Pursuant to a group reorganisation (the “**Reorganisation**”) as detailed in the subsection headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the Reorganisation.

The Group is principally engaged in provision of installation, alteration and addition works, and maintenance services of electrical and mechanical engineering systems in Hong Kong. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Guardian Team Limited (“Guardian Team”)	Incorporated in the British Virgin Islands on 6 June 2017  Limited liability company	Hong Kong	1 share of US\$1	100%	–	Investment holding
Guardian Fire Engineers and Consultants, Limited (“GFE”)	Incorporated in Hong Kong on 1 August 1972  Limited liability company	Hong Kong	HK\$2,500,000	–	100%	Installation, alteration and addition works, and maintenance services of electrical and mechanical engineering systems in Hong Kong

All companies now comprising the Group have adopted 31 March as their financial year end date.

As at the date of this report, no audited financial statements have been prepared for the Company and Guardian Team as they are not subject to statutory audit requirements under the relevant jurisdictions.

The statutory financial statements of GFE for the years ended 31 March 2016 and 2017 were audited by Simon Y.P. Chan & Co, certified public accountants and BDO Limited respectively and were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards and HKFRSs issued by the HKICPA respectively.

### 2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the Reorganisation in preparation for the Listing and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of GFE has not resulted in any change in economic substance and does not involve business combination. For the purpose of this report, the Historical Financial Information has been prepared on a combined basis using the predecessor carrying amounts as if the steps of the Reorganisation for the purposes of establishment of the Company and insertion of a new holding company at the top of GFE had been completed at the beginning of the Relevant Periods.

Upon the completion of the above steps of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. The Historical Financial Information of the Group for the Relevant Periods has been prepared using the carrying amounts of the financial statements of the companies now comprising the Group.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 March 2016 and 2017 and 31 July 2017 have been prepared to present the state of the affairs of the Group as if the current group structure, after the completion of the above steps of the Reorganisation, had been in existence as at the respective dates.

All significant intra-group transactions and balances have been eliminated on combination.

### 3. NEW OR REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the Group, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Historical Financial Information.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

#### Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

**HKFRS 9 – Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company made an assessment on the financial impact on the Historical Financial Information resulting from the adoption of HKFRS 9. Based on analysis of the Group’s financial instruments as at 31 July 2017, the directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on the Group’s financial assets measured at amortised costs including the trade and other receivables. The credit losses will be recognised in profit or loss. The directors of the Company concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of the Group’s financial assets measured at amortised costs, with reference to the historical credit loss experience of trade and other receivables and the estimates of future economic conditions.

**HKFRS 15 – Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company are in the process of assessing the potential impact on the Historical Financial Information resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard for contracts from (i) provision of installation work, alteration and addition services; and (ii) maintenance services of electrical and mechanical engineering systems in Hong Kong, in which the revenue recognition will be accounted for in accordance with the timing of satisfaction of each of the performance obligations, and more disclosures relating to revenue are required.

While the Group continues to assess the potential impact of the new revenue standard, the directors of the Company do not anticipate the adoption of HKFRS 15 would significantly affect the timing of the revenue recognition upon its initial adoption because the directors are of the view that the Group's inputs are expected to be proportionate, in material aspect, to the progress in satisfying the performance obligation in rendering the services with reference to the Group's typical contracts.

Based on the current assessment of the Group, the initial adoption of HKFRS 15 would not have a significant impact on the Group's financial performance and position.

#### **Amendments HKFRS 15 – Revenue from Contracts with Customers**

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

#### **HKFRS 16 – Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 26 below.

As set out in Note 26 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 July 2017 amounted to approximately HK\$95,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's combined statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statement of cash flows.

Based on the current assessment of the Group, the initial adoption of HKFRS 16 would not have a significant impact on the Group's financial performance and position.



The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the basis of presentation set out in Note 2 and the significant accounting policies set out below, which conform to HKFRSs which in collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and become effective during the Relevant Periods. In preparing this Historical Financial Information, the Group has adopted all these new or revised HKFRSs effective for the accounting period commencing from 1 April 2017 throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been early adopted by the Group, details of which are set out in Note 3.

The Historical Financial Information has been prepared under the historical cost basis except for financial assets at fair value through profit or loss as explained in the accounting policies set out in Note 4.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of the Company and its subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

##### (b) Basis of combination and subsidiaries

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods on a combined basis as further detailed in Note 2.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

##### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold land and buildings	Over the shorter of the lease terms or 50 years
Leasehold improvements	Over the shorter of the lease terms or 3 years
Furniture and equipment	4 to 5 years
Motor vehicles	4 years
Machineries	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**(d) Leasing**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

*(i) The Group as lessee under finance lease*

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

*(ii) The Group as lessee under operating lease*

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) **Financial instruments**

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in fair value of an investment below its cost.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) *Financial liabilities*

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are 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. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

**(f) Construction contracts**

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract work represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract work represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract work provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statements of financial position under "Trade and other receivables".

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

**(h) Recognition of revenue and other income**

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works (installation work and alteration and addition services) is recognised according to the percentage of completion of individual contract at the end of the reporting period.
- (ii) Revenue from maintenance and other services is recognised when services are rendered.
- (iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.
- (iv) Investment income is recognised when the right to receive the income is established.

**(i) Income taxes**

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

**(j) Foreign currency**

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

**(k) Employee benefits***(i) Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

*(ii) Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

*(iii) Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**(l) Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**(m) Borrowing costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(n) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(o) Related parties**

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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 party, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the Historical Financial Information, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

#### (i) *Construction contract*

Construction contract revenue is recognised according to the percentage of completion of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Amounts due from/to customers of contract work are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and amounts due from/to customers of contract work requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of the Group on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors, suppliers or vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers or vendors. Recognition of variations and claims also requires estimation and judgment by the management.

Notwithstanding that the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

#### (ii) *Impairment of receivables*

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and aging analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.



## 6. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Installation work – supply and carrying out fire prevention system installation work;
- Alteration and addition services – provision of alteration and addition services on existing fire prevention system of customers; and
- Maintenance services – provision of repair and maintenance services on fire prevention systems of customers.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated income and gains, finance costs, as well as corporate expenses are excluded from such measurement.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to the chief operating decision-makers, the directors are of the opinion that the disclosure of such information is not necessary.

Moreover, as the directors consider the Group's revenue (determined based on the location of customers) and results are all materially derived in Hong Kong and no material Group's consolidated assets are located outside Hong Kong, geographical segment information is not considered necessary.

### (a) Business segment

#### For the year ended 31 March 2016

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	79,622	38,810	4,417	122,849
Segment profit	11,832	4,560	288	16,680
Other income and gains				1,842
Unallocated staff costs				(3,619)
Unallocated corporate expenses				(4,409)
Finance costs				(232)
Profit before income tax				10,262
<b>Other segment information</b>				
Unallocated bank interest income				74
Unallocated depreciation				671
Unallocated interest expenses				232
Unallocated income tax				1,541
Unallocated capital expenditure				829

## For the year ended 31 March 2017

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	116,224	40,554	4,389	161,167
Segment profit	17,287	8,414	124	25,825
Other income and gains				1,084
Unallocated staff costs				(4,458)
Unallocated corporate expenses				(4,278)
Finance costs				(149)
Profit before income tax				18,024
<b>Other segment information</b>				
Unallocated bank interest income				7
Unallocated depreciation				872
Unallocated interest expenses				149
Unallocated income tax				3,037
Unallocated capital expenditure				891

## For the four months ended 31 July 2017

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	51,101	14,532	1,375	67,008
Segment profit	8,313	3,035	45	11,393
Other income and gains				212
Unallocated staff costs				(1,971)
Unallocated corporate expenses				(1,392)
Listing expenses				(7,917)
Finance costs				(35)
Profit before income tax				290
<b>Other segment information</b>				
Unallocated bank interest income				-
Unallocated depreciation				235
Unallocated interest expenses				35
Unallocated income tax				1,322
Unallocated capital expenditure				82

## For the four months ended 31 July 2016 (Unaudited)

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	24,297	14,965	1,167	40,429
Segment profit	3,319	2,448	66	5,833
Other income and gains				297
Unallocated staff costs				(1,682)
Unallocated corporate expenses				(1,345)
Finance costs				(47)
Profit before income tax				3,056
<b>Other segment information</b>				
Unallocated bank interest income				–
Unallocated depreciation				239
Unallocated interest expenses				47
Unallocated income tax				546
Unallocated capital expenditure				20

## (b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Unaudited)				
<b>Installation work:</b>				
Customer I	19,270	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer II	18,263	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer III	N/A <sup>1</sup>	34,745	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer IV	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	9,596
Customer V	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	7,413
Customer VI	N/A <sup>1</sup>	N/A <sup>1</sup>	8,234	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

## 7. REVENUE

An analysis of revenue from the Group's principal activities, which is also the Group's turnover, 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
Revenue from installation work	79,622	116,224	24,297	51,101
Revenue from alteration and addition services	38,810	40,554	14,965	14,532
Revenue from maintenance services	4,417	4,389	1,167	1,375
	<u>122,849</u>	<u>161,167</u>	<u>40,429</u>	<u>67,008</u>

## 8. OTHER INCOME AND GAINS

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Handling fee income	1,583	797	249	190
Bank interest income	74	7	–	–
Investment income on financial assets at fair value through profit or loss	83	50	29	–
Gain on disposal of investments	28	54	–	–
Gain on disposal of property, plant and equipment	15	119	–	2
Rental income	57	57	19	19
Others	2	–	–	1
	<u>1,842</u>	<u>1,084</u>	<u>297</u>	<u>212</u>

**9. PROFIT BEFORE INCOME TAX**

This is arrived at after charging the followings:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Auditor's remuneration	48	2	–	–
Depreciation in respect of:				
– Owned assets	300	419	102	136
– Leased assets	371	453	137	99
	<u>671</u>	<u>872</u>	<u>239</u>	<u>235</u>
Employee benefit expenses (including directors' emoluments ( <i>Note 12</i> ))				
– Salaries, allowances and other benefits	11,225	14,227	4,678	5,393
– Contribution to defined contribution retirement plan	529	658	203	213
	<u>11,754</u>	<u>14,885</u>	<u>4,881</u>	<u>5,606</u>
Operating lease payments in respect of:				
– Land and buildings	406	565	232	152
– Equipment	95	114	33	30
	<u>501</u>	<u>679</u>	<u>265</u>	<u>182</u>
Fair value loss on financial assets at fair value through profit or loss	167	–	–	–
Net exchange losses	352	4	–	–
	<u>519</u>	<u>4</u>	<u>–</u>	<u>–</u>

**10. FINANCE COSTS**

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Interest on bank borrowings ( <i>Note</i> )				
– Bank loans	196	124	47	27
Interest element of finance lease payments	36	25	–	8
	<u>232</u>	<u>149</u>	<u>47</u>	<u>35</u>

*Note:* This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017, all agreements of bank borrowings contain a repayment on demand clause.

## 11. INCOME TAX

(i) The amounts of income tax in the combined statements of comprehensive income represent:

	Year ended 31 March		Four months ended	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax				
– Hong Kong profits tax	1,473	2,871	490	1,300
– Macau complementary tax	68	166	56	22
	<u>1,541</u>	<u>3,037</u>	<u>546</u>	<u>1,322</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods.

Macau complementary tax is calculated at progressive rates up to 12% on estimated taxable profits arising in Macau for the Relevant Periods.

The income tax for the Relevant Periods can be reconciled to the profit before income tax in the combined statements of comprehensive income as follows:

	Year ended 31 March		Four months ended	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit before income tax	<u>10,262</u>	<u>18,024</u>	<u>3,056</u>	<u>290</u>
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	1,640	2,961	504	44
Tax effect of revenue not taxable for tax purposes	(220)	(130)	–	–
Tax effect of expenses not deductible for tax purposes	141	226	42	1,298
Tax relief	<u>(20)</u>	<u>(20)</u>	<u>–</u>	<u>(20)</u>
Income tax	<u>1,541</u>	<u>3,037</u>	<u>546</u>	<u>1,322</u>

(ii) There is no material unrecognised temporary difference at the end of each of the Relevant Periods.

## 12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended</b>					
<b>31 March 2016</b>					
<i>Executive directors</i>					
Mr. Ken Poon	–	444	–	18	462
Mr. Tommy Poon	–	–	–	–	–
Mr. Ng Kwok Wai	–	420	–	18	438
<i>Non-executive director</i>					
Ms. Odilia Poon	–	60	–	2	62
	–	924	–	38	962

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended</b>					
<b>31 March 2017</b>					
<i>Executive directors</i>					
Mr. Ken Poon	–	624	–	18	642
Mr. Tommy Poon	–	256	–	13	269
Mr. Ng Kwok Wai	–	523	–	18	541
<i>Non-executive director</i>					
Ms. Odilia Poon	–	60	–	3	63
	–	1,463	–	52	1,515

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Four months ended</b>					
<b>31 July 2017</b>					
<i>Executive directors</i>					
Mr. Ken Poon	–	340	–	6	346
Mr. Tommy Poon	–	108	–	5	113
Mr. Ng Kwok Wai	–	252	–	6	258
<i>Non-executive director</i>					
Ms. Odilia Poon	–	25	–	1	26
	–	725	–	18	743

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Four months ended</b>					
<b>31 July 2016 (Unaudited)</b>					
<i>Executive directors</i>					
Mr. Ken Poon	–	148	–	6	154
Mr. Tommy Poon	–	84	–	4	88
Mr. Ng Kwok Wai	–	140	–	6	146
<i>Non-executive director</i>					
Ms. Odilia Poon	–	20	–	1	21
	<u>–</u>	<u>392</u>	<u>–</u>	<u>17</u>	<u>409</u>
	<u>–</u>	<u>392</u>	<u>–</u>	<u>17</u>	<u>409</u>

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group during each of the Relevant Periods included 2 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid non-director individuals are as follows:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, allowances and other benefits	1,164	1,303	417	498
Contribution to pension scheme	54	54	18	18
	<u>1,218</u>	<u>1,357</u>	<u>435</u>	<u>516</u>

Remuneration of these individuals was within the following band:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

**(c) Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>



**13. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as set out in Note 2 above.

**14. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>						
At 1 April 2015	2,795	290	1,805	1,623	103	6,616
Additions	–	301	31	493	4	829
Disposal	–	–	–	(265)	–	(265)
At 31 March 2016 and 1 April 2016	2,795	591	1,836	1,851	107	7,180
Additions	–	9	538	326	18	891
Disposals	–	–	–	(470)	–	(470)
At 31 March 2017 and 1 April 2017	2,795	600	2,374	1,707	125	7,601
Additions	–	–	12	70	–	82
Disposals	–	–	–	(43)	–	(43)
At 31 July 2017	2,795	600	2,386	1,734	125	7,640
<b>Accumulated depreciation</b>						
At 1 April 2015	2,795	11	1,475	1,031	91	5,403
Charge for the year	–	191	102	371	7	671
Write-off on disposal	–	–	–	(265)	–	(265)
At 31 March 2016 and 1 April 2017	2,795	202	1,577	1,137	98	5,809
Charge for the year	–	197	212	453	10	872
Write-off on disposals	–	–	–	(439)	–	(439)
At 31 March 2017 and 1 April 2017	2,795	399	1,789	1,151	108	6,242
Charge for the period	–	67	67	99	2	235
Write-off on disposals	–	–	–	(43)	–	(43)
At 31 July 2017	2,795	466	1,856	1,207	110	6,434
<b>Net carrying value</b>						
At 31 March 2016	–	389	259	714	9	1,371
At 31 March 2017	–	201	585	556	17	1,359
At 31 July 2017	–	134	530	527	15	1,206

*Notes:*

- (a) The Group's leasehold land and buildings are situated in Hong Kong and are pledged as securities for the facilities of the Group granted by financial institutions.
- (b) The Group's motor vehicles as at 31 March 2016 and 2017 are held under finance leases.

## 15. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Trade receivables	7,792	16,698	17,418
Retention receivables	8,811	13,406	16,319
Deposits, prepayments and other receivables	552	1,967	4,658
	<u>17,155</u>	<u>32,071</u>	<u>38,395</u>

The aging analysis of trade receivables, based on invoice date, as at the end of each of the Relevant Periods, is as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Within 30 days	4,697	9,883	10,617
31 – 60 days	773	5,985	3,568
61 – 90 days	315	487	349
91 – 180 days	1,496	310	1,830
181 – 365 days	73	33	1,046
Over 365 days	438	–	8
	<u>7,792</u>	<u>16,698</u>	<u>17,418</u>

The credit period granted to customers is normally 14 days.

Retention monies are retained by customers based on progress of projects. Generally 50% of the retention receivables will be released upon issuance of certificate of practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contracts, which is usually 12 months.

As at 31 March 2016 and 2017 and 31 July 2017, retention receivables were aged within 1 year, except that the retention receivables in the amounts of HK\$1,502,000, HK\$2,523,000 and HK\$2,897,000 as at 31 March 2016 and 2017 and 31 July 2017 are aged over 1 year.

The aging analysis of trade receivables, based on due date, as at the end of each of the Relevant Periods, is as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	3,165	7,498	10,617
Past due but not impaired			
Less than 60 days	2,390	8,823	3,681
61 – 90 days	1,083	40	270
91 – 180 days	643	304	1,969
181 – 365 days	137	33	873
Over 365 days	374	–	8
	4,627	9,200	6,801
	7,792	16,698	17,418

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 March 2016 and 2017 and 31 July 2017, retention receivables were neither past due nor impaired, except that the retention receivables in the amounts of HK\$1,502,000, HK\$2,523,000 and HK\$2,897,000 as at 31 March 2016 and 2017 and 31 July 2017 respectively are past due but not impaired.

#### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A reconciliation of the opening and closing fair value balance of the financial assets during the Relevant Periods is set out below:

	Year ended 31 March		Four months ended
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Fund investments, at fair value			
At the beginning of the year/period	2,609	1,692	–
Unrealised loss included in administrative and other operating expenses	(167)	–	–
Disposal	(750)	(1,692)	–
At the end of the year/period	1,692	–	–

## 17. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORK

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 July 2017 HK\$'000
Costs incurred to date plus recognised profits	92,917	140,800	94,750
Less: Progress billings to date	<u>(68,341)</u>	<u>(99,038)</u>	<u>(52,316)</u>
	<u>24,576</u>	<u>41,762</u>	<u>42,434</u>
Amounts due from customers of contract work	24,916	43,641	44,713
Amounts due to customers of contract work	<u>(340)</u>	<u>(1,879)</u>	<u>(2,279)</u>
	<u>24,576</u>	<u>41,762</u>	<u>42,434</u>

## 18. AMOUNTS DUE FROM/TO DIRECTORS OF THE COMPANY AND A DIRECTOR OF A SUBSIDIARY

## (a) Amounts due from directors of the Company

Particulars of the amounts due from directors of the Company, disclosed pursuant to the Hong Kong Companies Ordinance, are as follows:

Name of directors	As at	As at	As at	As at	Maximum outstanding amount during the		
	1 April 2015 HK\$'000	31 March 2016 HK\$'000	31 March 2017 HK\$'000	31 July 2017 HK\$'000	year end 31 March 2016 HK\$'000	year end 31 March 2017 HK\$'000	four months ended 31 July 2017 HK\$'000
Mr. Ken Poon	23,048	31,662	26,189	–	31,662	38,306	26,189
Mr. Tommy Poon	–	1,421	2,595	–	1,421	2,595	2,595
	<u>23,048</u>	<u>33,083</u>	<u>28,784</u>	<u>–</u>			

## (b) Amounts due to directors of the Company

Name of directors	As at 31 March		As at
	2016 HK\$'000	2017 HK\$'000	31 July 2017 HK\$'000
Mr. Ken Poon	–	–	6,310
Mr. Tommy Poon	–	–	369
	<u>–</u>	<u>–</u>	<u>6,679</u>

## (c) Amount due to a director of GFE, a subsidiary

Name of director	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Ms. Leung To Hong	4,300	4,300	4,300
	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

## 19. PLEDGED DEPOSITS

Pledged deposits are placed with financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. The Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

## 20. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure facilities of the Group granted by financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts.

## 21. TRADE AND OTHER PAYABLES

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Trade payables ( <i>Notes (a) and (c)</i> )	25,810	35,653	36,679
Retention payables ( <i>Note (b)</i> )	3,121	3,958	3,958
Other payables, accruals and deposits received ( <i>Note (d)</i> )	25,825	14,432	8,078
	<u>54,756</u>	<u>54,043</u>	<u>48,715</u>

*Notes:*

- (a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The aging analysis of trade payables, based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
0 – 30 days	14,324	13,587	13,423
31 – 60 days	1,618	3,596	2,543
61 – 90 days	1,975	5,158	2,991
Over 90 days	7,893	13,312	17,722
	<u>25,810</u>	<u>35,653</u>	<u>36,679</u>

- (b) Retention monies are retained by the Group when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months. As at 31 March 2016 and 2017 and 31 July 2017, retention payables were aged within 1 year, except that the retention payables in the amounts of HK\$970,000, HK\$2,975,000 and HK\$2,975,000 as at 31 March 2016 and 2017 and 31 July 2017 respectively are aged over 1 year.
- (c) As at 31 March 2016, included in trade payables was an amount of HK\$1,600,000 payable to Ying Fai Company Limited (“**Ying Fai**”), a related company in which Mr. Tong Bill, a director of GFE, is a director. He ceased to be a director of GFE in February 2017.
- (d) As at 31 March 2016 and 2017 and 31 July 2017, included in other payables were amounts of HK\$24,082,000, HK\$11,851,000 and HK\$Nil payable to Guarforce Engineering Consultant Ltd. (“**GEC**”), a related company in which Ms. Lee To Yin, a director of GFE, is an administrator and a shareholder. She ceased to be an administrator and a shareholder of GEC in January 2017.

## 22. OBLIGATIONS UNDER FINANCE LEASES

The Group leases its motor vehicles and these leases are classified as finance leases. The lease obligations are secured by the underlying leased assets. The future lease payments under the finance leases are due as follows:

	<b>Minimum lease payments</b> <i>HK\$'000</i>	<b>Interest</b> <i>HK\$'000</i>	<b>Present value of minimum lease payments</b> <i>HK\$'000</i>
<b>As at 31 March 2016</b>			
Not later than one year	348	23	325
Later than one year but not later than five years	393	19	374
	<u>741</u>	<u>42</u>	<u>699</u>
<b>As at 31 March 2017</b>			
Not later than one year	228	16	212
Later than one year but not later than five years	295	10	285
	<u>523</u>	<u>26</u>	<u>497</u>
<b>As at 31 July 2017</b>			
Not later than one year	–	–	–
Later than one year but not later than five years	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

The present value of future lease payments is analysed as:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Current liabilities	325	212	–
Non-current liabilities	374	285	–
	<u>699</u>	<u>497</u>	<u>–</u>

*Note:* The effective interest rates of the Group's obligations under finance leases as at 31 March 2016 and 2017 ranged from 3.7% to 6.3% and 3.7% to 6.3% per annum, respectively.

### 23. BANK BORROWINGS, SECURED

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
<b>Current liabilities</b>			
<b><i>Secured and interest-bearing bank borrowings</i></b>			
Bank loans subject to repayment on demand clause ( <i>Note (a)</i> )			
– Bank loans due for repayment within one year	1,163	826	838
– Bank loans due for repayment after one year ( <i>Note (b)</i> )	1,911	1,085	802
	<u>3,074</u>	<u>1,911</u>	<u>1,640</u>

*Notes:*

- (a) Bank loans are interest-bearing at floating rates. The interest rates of the Group's bank loans as at 31 March 2016 and 2017 and 31 July 2017 granted under banking facilities ranged from 4.5% to 5.0%, at 4.5% and at 4.5% respectively per annum.
- (b) The current liabilities as at 31 March 2016 and 2017 and 31 July 2017 include such bank loans that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.
- (c) As at the end of each of the Relevant Periods, unless stated otherwise, the Group's bank facilities are secured by:
- (i) personal guarantees of Mr. Ken Poon, a director of the Company and GFE; and Mr. Tong Bill and Ms. Leung To Hong, the directors of GFE during the Relevant Periods; and
  - (ii) loan guarantees issued by the Government of the Hong Kong Special Administrative Region.

As at 31 March 2016 and 2017 and 31 July 2017, the Group's bank borrowings were scheduled to repay as of the end of each of the Relevant Periods as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
On demand or within one year	1,163	826	838
More than one year, but not exceeding two years	826	863	802
More than two years, but not exceeding five years	1,085	222	–
	<u>3,074</u>	<u>1,911</u>	<u>1,640</u>

*Note:* The amounts due are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

#### 24. AMOUNT DUE TO A RELATED COMPANY

The amount due to Guardian Engineering Limited (“GEL”) is unsecured, interest-free and repayable on demand. Mr. Ken Poon is a director and shareholder of GEL and GFE; Ms. Lee To Yin, a director of the GEL, is a director and shareholder of GFE; and Ms. Odilia Poon, a shareholder of GEL, is a director and shareholder of GFE.

#### 25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 27 June 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. On 27 June 2017, one ordinary share of HK\$0.01 was allotted and issued to Reid Services Limited, the initial subscriber, at par. On 15 July 2017, Reid Services Limited transferred the one subscriber share to Success Step Management Limited. On the same day, 999 ordinary shares were allotted and issued to various shareholders pursuant to the Reorganisation. Further details are set out in the section headed “Statutory and General Information” in Appendix V to the Prospectus.

#### 26. OPERATING LEASE COMMITMENTS

##### Operating leases – The Group as lessee

The Group leases office premises under operating lease arrangement. The leases run for an initial period of one to two years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	<u>82</u>	<u>44</u>	<u>95</u>



## 27. RELATED PARTY TRANSACTIONS

- (a) Saved as those disclosed elsewhere in this Historical Financial Information, the Group has the following significant transactions with related parties:

Related party identity and relationship	Type of transaction	Year ended 31 March		Four months ended 31 July	
		2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Ying Fai, a related company up to February 2017	Sub-contracting fee	9,700	7,200	2,600	-
GEC, a related company up to January 2017	Handling fee income	(1,583)	(797)	(249)	-
	Sub-contracting fee	4,182	-	-	-
GEL, a related company	Rental income	(57)	(57)	(19)	(19)
	Project expense	479	653	202	177
	Administration fee	254	-	-	-
	Sub-contracting fee	6,760	6,834	3,049	1,824
Mr. Tommy Poon, a director	Rental expenses	20	120	40	40

The terms of the above transactions were based on those agreed between the Group and the related companies and the director.

## (b) Compensation of key management personnel

Remuneration of key management personnel, who are directors of the Company, during the Relevant Periods were disclosed in Note 12.

## 28. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts. Details of these guarantees as of the end of each of the Relevant Periods are as follows:

	As at 31 March		As at
	2016 HK\$'000	2017 HK\$'000	31 July 2017 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	27,482	29,641	27,542

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of each of the Relevant Periods.

As at the end of each of the Relevant Periods or during the Relevant Periods, unless stated otherwise, the Group's bonding lines granted by the financial institutions are secured by:

- (i) The Group's leasehold land and buildings;
- (ii) The Group's bank deposits;
- (iii) Personal guarantees of Ms. Lee To Yin, Mr. Ken Poon, Mr. Tong Bill and Ms. Leung To Hong;
- (iv) Subordination agreement signed by Ms. Leung To Hong subordinating her loan to the Group in the amount of HK\$5,000,000 to all amounts owed by GFE to a bank; and
- (v) Corporate guarantee of GFE.

The financial institutions which granted the bonding lines to the Group as at the date of this report have agreed in principle that the personal guarantees in (iii) above will be released and replaced by corporate guarantees to be issued by the Company on condition that the Company's shares are successfully listed on the GEM of the Stock Exchange.

## 29. CAPITAL COMMITMENTS

As at 31 March 2016 and 2017 and 31 July 2017, the Group did not have any significant capital commitments.

## 30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 March		As at
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>			
<b>Financial assets at amortised cost (Note (a))</b>			
<i>Loans and receivables</i>			
- Trade and other receivables	16,714	30,308	33,980
- Amounts due from directors	33,083	28,784	-
- Pledged deposits	2,495	5,601	4,761
- Pledged bank deposits	9,744	8,231	6,231
- Bank balances and cash	33,276	19,455	18,299
<i>Financial assets at fair value through profit or loss</i>			
<i>(Note (b))</i>			
- Fund investments	1,692	-	-
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised costs (Note (a))</b>			
- Trade and other payables	54,756	54,043	48,715
- Obligations under finance leases	699	497	-
- Bank borrowings, secured	3,074	1,911	1,640
- Amounts due to directors of the Company and a director of a subsidiary	4,300	4,300	10,979
- Amount due to a related company	34,997	33,154	6,386

(a) **Financial instruments not measured at fair value**

Above financial instruments which are measured at amortised costs are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

(b) **Financial instruments measured at fair value**

The fund investments of the Group requires measurement at fair value as detailed in Note 16. The fair value measurement of which utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**").

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fund investments are traded on active liquid markets and fair value of which is determined with reference to quoted market prices. Fair value of the fund investments is a Level 1 fair value measurement. There were no transfers between levels during each of the Relevant Periods.

### 31. **FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT**

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from customers of contract work, pledged deposits, pledged bank deposits, amounts due from directors, and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, it is the Group's policy to only deal with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of bank balances, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2016 and 2017 and 31 July 2017, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 28. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

**(b) Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk.

All of the Group's bank borrowings as at 31 March 2016 and 2017 and 31 July 2017 bore interest at floating rates. Details of bank borrowings are disclosed in Note 23.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Sensitivity analysis*

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(decrease) in profit and retained profits			
	Year ended 31 March		Four months ended	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>Changes in interest rate</b>				
+1%	(31)	(19)	(2)	(2)
-1%	31	19	2	2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years or periods. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

**(c) Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at bank's 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 loans with immediate effect.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscouted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
<b>At 31 March 2016</b>						
Trade and other payables	54,756	54,756	54,756	–	–	–
Obligations under finance leases	699	741	348	182	211	–
Bank loans subject to repayment on demand clause	3,074	3,074	3,074	–	–	–
Amount due to a director of a subsidiary	4,300	4,300	4,300	–	–	–
Amount due to a related company	34,997	34,997	34,997	–	–	–
	<u>97,826</u>	<u>97,868</u>	<u>97,475</u>	<u>182</u>	<u>211</u>	<u>–</u>
	Carrying amount <i>HK\$'000</i>	Total contractual undiscouted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
<b>At 31 March 2017</b>						
Trade and other payables	54,043	54,043	54,043	–	–	–
Obligations under finance leases	497	523	228	156	139	–
Bank loans subject to repayment on demand clause	1,911	1,911	1,911	–	–	–
Amount due to a director of a subsidiary	4,300	4,300	4,300	–	–	–
Amount due to a related company	33,154	33,154	33,154	–	–	–
	<u>93,905</u>	<u>93,931</u>	<u>93,636</u>	<u>156</u>	<u>139</u>	<u>–</u>

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	1 Within year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
<b>At 31 July 2017</b>						
Trade and other payables	48,715	48,715	48,715	-	-	-
Obligations under finance leases	-	-	-	-	-	-
Bank loans subject to repayment on demand clause	1,640	1,640	1,640	-	-	-
Amounts due to directors of the Company and a director of a subsidiary	10,979	10,979	10,979	-	-	-
Amount due to a related company	6,386	6,386	6,386	-	-	-
	<u>67,720</u>	<u>67,720</u>	<u>67,720</u>	<u>-</u>	<u>-</u>	<u>-</u>

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
<b>Bank loans subject to repayment on demand clause</b>						
As at 31 March 2016	<u>3,074</u>	<u>3,286</u>	<u>1,272</u>	<u>895</u>	<u>1,119</u>	<u>-</u>
As at 31 March 2017	<u>1,911</u>	<u>2,014</u>	<u>895</u>	<u>895</u>	<u>224</u>	<u>-</u>
As at 31 July 2017	<u>1,640</u>	<u>1,715</u>	<u>895</u>	<u>820</u>	<u>-</u>	<u>-</u>

**(d) Capital management**

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Bank borrowings, secured	3,074	1,911	1,640
Obligations under finance leases	699	497	–
Total debts	<u>3,773</u>	<u>2,408</u>	<u>1,640</u>
Total equity	<u>23,873</u>	<u>38,860</u>	<u>37,828</u>
Gearing ratio	<u>15.8%</u>	<u>6.2%</u>	<u>4.3%</u>

### 32. NOTE TO COMBINED STATEMENTS OF CASH FLOWS

Pursuant to a set-off agreement effective on 11 June 2017, GFE undertook the amount due to Mr. Ken Poon by GEL of HK\$28,009,000. As a result, the amounts due from directors of the Company and the amount due to a related company were reduced by the amount of HK\$28,009,000 during the four months ended 31 July 2017.

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows from financing activities.

For the year ended 31 March 2016	At the	Addition	Interest accrued	Financing cash flows	At the
	beginning of the year				of the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under finance leases	546	501	–	(348)	699
Interest payable on finance leases	4	–	36	(40)	–
Bank borrowings, secured	5,867	–	196	(2,989)	3,074
Amounts due to directors of a subsidiary	6,270	–	–	(1,970)	4,300

<b>For the year ended 31 March 2017</b>	<b>At the beginning of the year <i>HK\$'000</i></b>	<b>Addition <i>HK\$'000</i></b>	<b>Interest accrued <i>HK\$'000</i></b>	<b>Financing cash flows <i>HK\$'000</i></b>	<b>At the end of the year <i>HK\$'000</i></b>
Obligations under finance leases	699	130	–	(332)	497
Interest payable on finance leases	–	–	25	(25)	–
Bank borrowings, secured	3,074	–	124	(1,287)	1,911
Amount due to a director of a subsidiary	4,300	–	–	–	4,300
<b>For the four months ended 31 July 2017</b>	<b>At the beginning of the period <i>HK\$'000</i></b>	<b>Addition <i>HK\$'000</i></b>	<b>Interest accrued <i>HK\$'000</i></b>	<b>Financing cash flows <i>HK\$'000</i></b>	<b>At the end of the period <i>HK\$'000</i></b>
Obligations under finance leases	497	–	–	(497)	–
Interest payable on finance leases	–	–	8	(8)	–
Bank borrowings, secured	1,911	–	27	(298)	1,640
Amounts due to directors of the Company and a director of a subsidiary	4,300	–	–	6,679	10,979
<b>For the four months ended 31 July 2016 (Unaudited)</b>	<b>At the beginning of the period <i>HK\$'000</i></b>	<b>Addition <i>HK\$'000</i></b>	<b>Interest accrued <i>HK\$'000</i></b>	<b>Financing cash flows <i>HK\$'000</i></b>	<b>At the end of the period <i>HK\$'000</i></b>
Obligations under finance leases	699	–	–	(147)	552
Interest payable on finance leases	–	–	–	–	–
Bank borrowings, secured	3,074	–	47	(650)	2,471
Amount due to a director of a subsidiary	4,300	–	–	–	4,300

#### 34. EVENTS AFTER THE REPORTING DATE

- (a) The companies now comprising the Group underwent and completed the steps of the Reorganisation for the purposes of establishment of the Company and insertion of a new holding company at the top of GFE as of the date of this report in the preparation for the Listing. Further details of the Reorganisation are detailed in the subsection headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.



- (b) On 3 August 2017, the Group entered into a share sale agreement with Mr. Ken Poon and Ms. Odilia Poon. Pursuant to the agreement, Mr. Ken Poon and Ms Odilia Poon agreed to sell, and the Group agreed to purchase the entire issued share capital of GEL at a consideration of HK\$331,000. The acquisition was made as one of the steps of the Reorganisation for the Listing of the Company. The identifiable assets and liabilities of GEL as at 3 August 2017 were as follows:

	<b>Carrying values and fair values</b>
	<i>HK\$'000</i>
Property, plant and equipment	169
Trade and other receivables	14,972
Amount due from a related company	6,386
Amount due from a related party	20
Bank balances and cash	8,301
Trade and other payables	(21,326)
Dividend payable	(7,937)
Income tax payable	(250)
Deferred tax liabilities	(4)
	<hr/>
Net identifiable assets	331
	<hr/> <hr/>
	<i>HK\$'000</i>
Cash consideration	331
Less: fair values of the identifiable assets and liabilities	(331)
	<hr/>
Goodwill	–
	<hr/> <hr/>

The fair value of the trade and other receivables as at the date of acquisition amounted to HK\$14,972,000. The gross contractual amount of trade and other receivables was HK\$17,055,000, of which trade receivables of HK\$2,083,000 are expected to be uncollectible.

Had the acquisition taken place at the beginning of each of the Relevant Periods, the revenue and profits/(loss) of the Group would have been as follow:

	<b>For the year ended 31 March</b>		<b>For the four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Revenue	168,663	207,116	56,532	84,390
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) for the year/period	9,218	15,982	3,413	(595)
	<hr/>	<hr/>	<hr/>	<hr/>

- (c) Pursuant to the sale and purchase agreement entered into between GFE and Vistar Alliance Limited (“**Vistar Alliance**”) dated 11 December 2017, GFE agrees to sell and Vistar Alliance agrees to purchase the Group’s leasehold land and buildings at a consideration of HK\$13.3 million which was completed on 15 January 2018. Vistar Alliance is owned by Mr. Ken Poon and Mr. Tommy Poon.

GFE and Vistar Alliance also entered into a lease agreement dated 22 January 2018, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a period up to 31 March 2020 at a monthly rental of HK\$43,800.

- (d) Pursuant to the written resolution of the shareholders of the Company on 24 January 2018 as detailed in the section headed “Statutory and General Information” in the Prospectus, the authorised share capital of the Company has been increased from HK\$380,000 to HK\$38,000,000 by the creation of additional 3,762,000,000 shares of HK\$0.01 each.

- (e) Subsequent to 31 July 2017 and as of the date of this report, the Company has declared a dividend of HK\$10.0 million to its shareholders.

### 35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 July 2017.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus received from GEL's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GEL TO THE DIRECTORS OF VISTAR HOLDINGS LIMITED AND KINGSWAY CAPITAL LIMITED

### *Introduction*

We report on the historical financial information of Guardian Engineering Limited (“GEL”) set out on pages IB-4 to IB-36, which comprises the statements of financial position as at 31 March 2016 and 2017 and 31 July 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of 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 IB-4 to IB-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Vistar Holdings Limited dated 31 January 2018 (the “**Prospectus**”) in connection with the initial listing of shares of Vistar Holdings Limited 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 GEL are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 of Section II to the Historical Financial Information, and for such internal control as the directors of GEL determine is necessary to enable the preparation of the 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.

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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 of Section II 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 GEL's financial position as at 31 March 2016 and 2017 and 31 July 2017 and of GEL's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3 of Section II to the Historical Financial Information.

#### *Review of stub period comparative Historical Financial Information*

We have reviewed the stub period comparative Historical Financial Information of GEL which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 31 July 2016 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of GEL are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 3 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical 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 Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3 of Section II to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF  
SECURITIES ON THE GEM OF THE STOCK EXCHANGE***Adjustments*

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

**BDO Limited***Certified Public Accountants***Lam Siu Fung**

Practising Certificate no. P05308

Hong Kong

31 January 2018

## HISTORICAL FINANCIAL INFORMATION OF GEL

## Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of GEL for the Track Record Period (also referred to as the “**Relevant Periods**”), on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”) and were audited by BDO Limited.

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.

## I. HISTORICAL FINANCIAL INFORMATION

## STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		Four months ended 31 July	
		2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
				(Unaudited)	
Revenue	6	52,574	52,783	19,152	19,206
Cost of revenue		<u>(45,024)</u>	<u>(45,540)</u>	<u>(16,270)</u>	<u>(16,299)</u>
Gross profit		7,550	7,243	2,882	2,907
Other income	7	733	653	202	177
Administrative and other operating expenses		<u>(7,684)</u>	<u>(6,728)</u>	<u>(2,026)</u>	<u>(2,562)</u>
Profit before income tax	8	599	1,168	1,058	522
Income tax	9	<u>(102)</u>	<u>(173)</u>	<u>(155)</u>	<u>(85)</u>
Profit and total comprehensive income for the year/period		<u>497</u>	<u>995</u>	<u>903</u>	<u>437</u>

## STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at
		2016	2017	31 July
	Notes	HK\$'000	HK\$'000	2017
				HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	12	162	104	169
Deferred tax assets	11	212	81	–
Total non-current assets		374	185	169
<b>Current assets</b>				
Trade and other receivables	13	7,676	14,322	14,972
Amounts due from customers of contract work	14	61	–	–
Amount due from a related company	15	34,997	33,154	6,386
Amount due from a related party	17	–	–	20
Bank balances and cash		8,104	4,921	8,301
Total current assets		50,838	52,397	29,679
<b>Current liabilities</b>				
Trade and other payables	16	10,338	16,492	21,326
Amount due to a related party	17	33,635	28,009	–
Dividend payable		–	7,500	7,937
Income tax payable		403	250	250
Total current liabilities		44,376	52,251	29,513
<b>Net current assets</b>		6,462	146	166
<b>Total assets less current liabilities</b>		6,836	331	335
<b>Non-current liabilities</b>				
Deferred tax liabilities	11	–	–	4
<b>Net assets</b>		6,836	331	331
<b>Capital and reserves</b>				
Share capital	18	100	100	100
Retained profits		6,736	231	231
<b>Total equity</b>		6,836	331	331

## STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2015		100	6,239	6,339
Profit and total comprehensive income for the year		<u>–</u>	<u>497</u>	<u>497</u>
At 31 March 2016 and 1 April 2016		100	6,736	6,836
Profit and total comprehensive income for the year		–	995	995
Dividend declared	<i>19</i>	<u>–</u>	<u>(7,500)</u>	<u>(7,500)</u>
At 31 March 2017 and 1 April 2017		100	231	331
Profit and total comprehensive income for the period		–	437	437
Dividend declared	<i>19</i>	<u>–</u>	<u>(437)</u>	<u>(437)</u>
At 31 July 2017		<u>100</u>	<u>231</u>	<u>331</u>
At 1 April 2016		100	6,736	6,836
Profit and total comprehensive income for the period		<u>–</u>	<u>903</u>	<u>903</u>
At 31 July 2016 (unaudited)		<u>100</u>	<u>7,639</u>	<u>7,739</u>



## STATEMENTS OF CASH FLOWS

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
<b>Operating activities</b>				
Profit before income tax	599	1,168	1,058	522
Adjustments for:				
Depreciation	226	103	29	23
Loss on disposal of property, plant and equipment	–	–	–	48
Impairment loss on trade receivables	680	322	140	97
Operating profit before working capital changes	1,505	1,593	1,227	690
Decrease/(increase) in trade and other receivables	4,545	(6,968)	488	(747)
(Increase)/decrease in amount due from a related company	(2,065)	1,843	(4,872)	(1,241)
(Increase)/decrease in amounts due from customers of contract work	(61)	61	–	–
Decrease in amounts due to customers of contract work	(1,852)	–	–	–
Increase in trade and other payables	581	6,154	1,985	4,834
Cash generated from/(used in) operating activities	2,653	2,683	(1,172)	3,536
Income tax paid	–	(195)	–	–
<b>Net cash generated from/(used in) operating activities</b>	<u>2,653</u>	<u>2,488</u>	<u>(1,172)</u>	<u>3,536</u>
<b>Investing activity</b>				
Purchase of property, plant and equipment	(85)	(45)	–	(136)
<b>Net cash used in investing activity</b>	<u>(85)</u>	<u>(45)</u>	<u>–</u>	<u>(136)</u>

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>Financing activity</b>				
(Advance to)/repayment from a related party	<u>(574)</u>	<u>(5,626)</u>	<u>1,092</u>	<u>(20)</u>
<b>Net cash (used in)/generated from financing activity</b>	<u>(574)</u>	<u>(5,626)</u>	<u>1,092</u>	<u>(20)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,994	(3,183)	(80)	3,380
<b>Cash and cash equivalents at beginning of year/period</b>	<u>6,110</u>	<u>8,104</u>	<u>8,104</u>	<u>4,921</u>
<b>Cash and cash equivalents at end of year/period</b>	<u><u>8,104</u></u>	<u><u>4,921</u></u>	<u><u>8,024</u></u>	<u><u>8,301</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>				
Bank balances and cash	<u><u>8,104</u></u>	<u><u>4,921</u></u>	<u><u>8,024</u></u>	<u><u>8,301</u></u>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

GEL was incorporated in Hong Kong with limited liability on 15 May 2000. The address of its registered office and principal place of business is located at Flat C, 2/F, 8-10 Hankow Road, Tsim Sha Tsui, Hong Kong.

The principal activities of GEL are provision of installation, alteration and addition works, and maintenance services of electrical and mechanical engineering systems in Hong Kong.

The statutory financial statements of GEL for the years ended 31 March 2016 and 2017 were audited by David W.K. Ho & Co, certified public accountants and BDO Limited respectively and were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards and HKFRSs issued by the HKICPA respectively.

The Historical Financial Information contained in this accountants' report does not constitute GEL's statutory financial statements for either of the years ended 31 March 2016 and 2017. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As GEL is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so. GEL's auditor has reported on these financial statements for the years within the Relevant Periods. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### 2. NEW OR REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to GEL, have been issued, but are not yet effective and have not been early adopted by GEL in the preparation of the Historical Financial Information.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

**HKFRS 9 – Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of GEL made an assessment on the financial impact on the Historical Financial Information resulting from the adoption of HKFRS 9. Based on analysis of GEL’s financial instruments as at 31 July 2017, the directors of GEL considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on GEL’s financial assets measured at amortised costs including the trade and other receivables. The credit losses will be recognised in profit or loss. The directors of GEL concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of GEL’s financial assets measured at amortised costs, with reference to the historical credit loss experience of trade and other receivables and the estimates of future economic conditions.

**HKFRS 15 – Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of GEL are in the process of assessing the potential impact on the Historical Financial Information resulting from the adoption of HKFRS 15. So far they have anticipated that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected by the new standard for contracts from (i) provision of alteration and addition services; and (ii) maintenance services of electrical and mechanical engineering systems in Hong Kong, in which the revenue recognition will be accounted for in accordance with the timing of satisfaction of each of the performance obligations, and more disclosures relating to revenue are required.

Based on the current assessment of GEL, the initial adoption of HKFRS 15 would not have a significant impact on GEL's financial performance and position.

#### **Amendments HKFRS 15 – Revenue from Contracts with Customers**

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

#### **HKFRS 16 – Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in GEL's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 20 below.

As set out in Note 20 below, the total future minimum lease payments under non-cancellable operating leases of GEL in respect of office premises as at 31 July 2017 amounted to approximately HK\$426,000. The directors of GEL do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on GEL's financial performance but it is expected that GEL has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under GEL's operating leases will be required to be recognised in GEL's statement of financial position as right-of-use assets and lease liabilities. GEL will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in GEL's statement of cash flows.

Based on the current assessment of GEL, the initial adoption of HKFRS 16 would not have a significant impact on the GEL's financial performance and position.

GEL has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to GEL. Except for those disclosed above, GEL has so far concluded that the application of these new pronouncements will have no material impact on GEL's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the significant accounting policies set out below, which conform to HKFRSs which in collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to GEL and become effective during the Relevant Periods. In preparing this Historical Financial Information, GEL has adopted all these new or revised HKFRSs effective for the accounting period commencing from 1 April 2017 throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been early adopted by GEL, details of which are set out in Note 2.

The Historical Financial Information has been prepared under the historical cost basis.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of GEL.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

#### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to GEL and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold improvements	Over the shorter of lease terms or 2 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**(c) Leasing**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if GEL determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

***GEL as lessee under operating lease***

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

**(d) Financial instruments*****(i) Financial assets***

GEL classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

**Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

***(ii) Impairment loss on financial assets***

GEL assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolong decline in fair value of an investment below its cost.

### Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### (iii) *Financial liabilities*

GEL classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are 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. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) *Equity instruments*

Equity instruments issued by GEL are recorded at the proceeds received, net of direct issue costs.

#### (vi) *Derecognition*

GEL derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

### (e) **Construction contracts**

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.



Amounts due from customers of contract work represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract work represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract work provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the statements of financial position under "Trade and other receivables".

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statements of cash flows, cash and cash equivalents including bank overdrafts which are repayable on demand and form an integral part of GEL's cash management.

**(g) Recognition of revenue and other income**

Revenue and other income is recognised when it is probable that the economic benefits will flow to GEL and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works (installation work and alteration and addition services) is recognised according to the percentage of completion of individual contract at the end of the reporting period.
- (ii) Revenue from maintenance services is recognised when services are rendered.
- (iii) Administration fee income is recognised when service is rendered.

**(h) Income taxes**

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

**(i) Foreign currency**

Transactions entered into by GEL in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

**(j) Employee benefits**

*(i) Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

*(ii) Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

*(iii) Termination benefits*

Termination benefits are recognised on the earlier of when GEL can no longer withdraw the offer of those benefits and when GEL recognises restructuring costs involving the payment of termination benefits.

**(k) Impairment of non-financial assets**

At the end of each reporting period, GEL reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**(l) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when GEL has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(m) Related parties**

- (a) A person or a close member of that person's family is related to GEL if that person:
  - (i) has control or joint control over GEL;
  - (ii) has significant influence over GEL; or
  - (iii) is a member of key management personnel of GEL or GEL's parent.
- (b) An entity is related to GEL if any of the following conditions apply:
  - (i) The entity and GEL 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 the employees of GEL or an entity related to GEL.
  - (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 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 party, provides key management personnel services to GEL or GEL's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of GEL's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

In addition to information disclosed elsewhere in the Historical Financial Information, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

*(i) Construction contract*

Construction contract revenue is recognised according to the percentage of completion of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Amounts due from/to customers of contract work are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and amounts due from/to customers of contract work requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of GEL on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors, suppliers or vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers or vendors. Recognition of variations and claims also requires estimation and judgement by the management.

Notwithstanding that the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

*(ii) Impairment of receivables*

The impairment policy for bad and doubtful debts of GEL is based on management's evaluation of collectability and aging analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

**5. SEGMENT REPORTING**

The directors of GEL, who are the chief operating decision-makers of GEL, review GEL's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the directors of GEL that are used to make strategic decisions.

GEL has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

The following summary describes the operations in each of GEL's reportable segments:

- Installation work – supply and carrying out fire prevention system installation work;
- Alteration and addition services – provision of alteration and addition services on existing fire prevention system of customers; and
- Maintenance services – provision of repair and maintenance services on fire prevention systems of customers.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit before income tax is measured consistently with GEL's profit before income tax except that unallocated income as well as corporate expenses are excluded from such measurement.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to the chief operating decision-makers, the directors are of the opinion that the disclosure of such information is not necessary.

Moreover, as the directors consider GEL's revenue (determined based on location of customers) and results are all materially derived in Hong Kong and no material GEL's assets are located outside Hong Kong, geographical segment information is not considered necessary.

(a) **Business segment**

**For the year ended 31 March 2016**

	<b>Installation work HK\$'000</b>	<b>Alteration and addition services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue</b>				
Revenue from external customers	5,559	43,819	3,196	52,574
Segment profit	638	6,699	213	7,550
Other income				733
Unallocated staff costs				(2,524)
Unallocated corporate expenses				(5,160)
Profit before income tax				599
<b>Other segment information</b>				
Unallocated depreciation				226
Unallocated income tax				102
Unallocated capital expenditure				85
Impairment loss on trade receivables	–	680	–	680

## For the year ended 31 March 2017

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	–	49,145	3,638	52,783
Segment profit	–	7,023	220	7,243
Other income				653
Unallocated staff costs				(2,923)
Unallocated corporate expenses				(3,805)
Profit before income tax				1,168
<b>Other segment information</b>				
Unallocated depreciation				103
Unallocated income tax				173
Unallocated capital expenditure				45
Impairment loss on trade receivables	–	322	–	322

## For the four months ended 31 July 2017

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	–	17,357	1,849	19,206
Segment profit	–	2,785	122	2,907
Other income				177
Unallocated staff costs				(1,128)
Unallocated corporate expenses				(1,434)
Profit before income tax				522
<b>Other segment information</b>				
Unallocated depreciation				23
Unallocated income tax				85
Unallocated capital expenditure				136
Impairment loss on trade receivables	–	97	–	97

## For the four months ended 31 July 2016 (Unaudited)

	Installation work <i>HK\$'000</i>	Alteration and addition services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Revenue from external customers	–	17,785	1,367	19,152
Segment profit	–	2,793	89	2,882
Other income				202
Unallocated staff costs				(727)
Unallocated corporate expenses				(1,299)
Profit before income tax				1,058
<b>Other segment information</b>				
Unallocated depreciation				29
Unallocated income tax				155
Impairment loss on trade receivables	–	140	–	140

## (b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of GEL's revenue, are set out below:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
			(Unaudited)	
<b>Installation work:</b>				
Customer I	5,559	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Alteration and addition services:</b>				
Customer II	9,305	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer III	N/A <sup>1</sup>	11,784	N/A <sup>1</sup>	7,705
Customer IV	N/A <sup>1</sup>	7,475	3,187	N/A <sup>1</sup>
Customer V	N/A <sup>1</sup>	N/A <sup>1</sup>	3,129	N/A <sup>1</sup>
Customer VI	N/A <sup>1</sup>	N/A <sup>1</sup>	2,931	N/A <sup>1</sup>
Customer VII	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	2,101
<b>Maintenance Services:</b>				
Customer VI	N/A <sup>1</sup>	N/A <sup>1</sup>	118	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of GEL for the respective period.

**6. REVENUE**

An analysis of revenue from GEL's principal activities, which is also GEL's turnover, 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)	
Revenue from installation work	5,559	–	–	–
Revenue from alteration and addition services	43,819	49,145	17,785	17,357
Revenue from maintenance services	3,196	3,638	1,367	1,849
	<u>52,574</u>	<u>52,783</u>	<u>19,152</u>	<u>19,206</u>

**7. OTHER INCOME**

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Administration fee income	733	653	202	177
	<u>733</u>	<u>653</u>	<u>202</u>	<u>177</u>

**8. PROFIT BEFORE INCOME TAX**

This is arrived at after charging the followings:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Auditor's remuneration	13	50	–	–
Depreciation	226	103	29	23
Loss on disposal of property, plant and equipment	–	–	–	48
Employee benefit expenses (including directors' emoluments (Note 10))				
– Salaries, allowances and other benefits	4,352	4,616	1,550	1,660
– Contribution to defined contribution retirement plan	208	212	70	83
	<u>4,560</u>	<u>4,828</u>	<u>1,620</u>	<u>1,743</u>
Operating lease payments in respect of land and buildings	548	403	131	71
Impairment loss on trade receivables	680	322	140	97
	<u>680</u>	<u>322</u>	<u>140</u>	<u>97</u>



## 9. INCOME TAX

The amounts of income tax in the statements of comprehensive income represent:

	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	–	42	155	–
Deferred tax ( <i>Note 11</i> )	102	131	–	85
	<u>102</u>	<u>173</u>	<u>155</u>	<u>85</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods. No Hong Kong profit tax was provided for the four months ended 31 July 2017 as GEL has no estimated assessable profit during the period.

The income tax for the Relevant Periods can be reconciled to the profit before income tax in the statements of comprehensive income as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit before income tax	<u>599</u>	<u>1,168</u>	<u>1,058</u>	<u>522</u>
Tax calculated at tax rate of 16.5%	99	193	175	86
Tax effect of income not taxable for tax purposes	–	–	–	(1)
Tax effect of expenses not deductible for tax purposes	3	–	–	–
Tax relief	<u>–</u>	<u>(20)</u>	<u>(20)</u>	<u>–</u>
Income tax	<u>102</u>	<u>173</u>	<u>155</u>	<u>85</u>

**10. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS**

**(a) Directors' emoluments**

The emoluments of each of the directors for the Relevant Periods are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2016</b>					
<i>Directors</i>					
Mr. Ken Poon	-	-	-	-	-
Ms. Lee To Yin	-	-	-	-	-
	-	-	-	-	-
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2017</b>					
<i>Directors</i>					
Mr. Ken Poon	-	-	-	-	-
Ms. Lee To Yin	-	-	-	-	-
	-	-	-	-	-
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Four months ended 31 July 2017</b>					
<i>Directors</i>					
Mr. Ken Poon	-	-	-	-	-
Ms. Lee To Yin	-	-	-	-	-
	-	-	-	-	-
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Four months ended 31 July 2016</b>					
<i>(Unaudited)</i>					
<b>Directors</b>					
Mr. Ken Poon	-	-	-	-	-
Ms. Lee To Yin	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the Relevant Periods, no emoluments were paid by GEL to the directors as an inducement to join or upon joining GEL or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in GEL during each of the Relevant Periods are not directors of GEL. The emoluments payable to the five highest paid non-director individuals are as follows:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, allowances and other benefits	1,428	1,564	534	515
Contribution to pension scheme	67	72	26	24
	<u>1,495</u>	<u>1,636</u>	<u>560</u>	<u>539</u>

Remuneration of these individuals was within the following bands:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>
HK\$Nil to HK\$1,000,000	5	5	5	5

## (c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 March		Four months ended 31 July	
	2016 <i>Number of individual</i>	2017 <i>Number of individual</i>	2016 <i>Number of individual</i> (Unaudited)	2017 <i>Number of individual</i>
HK\$Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## 11. DEFERRED TAX

Details of the deferred tax assets recognised and movements during the Relevant Periods are as follows:

	Tax losses <i>HK\$'000</i>	Depreciation allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2015	258	56	314
(Charge)/credit to profit or loss	<u>(122)</u>	<u>20</u>	<u>(102)</u>
As at 31 March 2016 and 1 April 2016	136	76	212
(Charge)/credit to profit or loss	<u>(136)</u>	<u>5</u>	<u>(131)</u>
As at 31 March 2017 and 1 April 2017	–	81	81
Charge to profit or loss	<u>–</u>	<u>(85)</u>	<u>(85)</u>
As at 31 July 2017	<u>–</u>	<u>(4)</u>	<u>(4)</u>

As at 31 March 2016 and 2017 and 31 July 2017, GEL has unused tax losses arising in Hong Kong of HK\$826,000, HK\$Nil and HK\$Nil respectively that are available for offsetting against future taxable profits.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>			
At 1 April 2015	724	1,817	2,541
Additions	–	85	85
At 31 March 2016 and 1 April 2016	724	1,902	2,626
Additions	22	23	45
At 31 March 2017 and 1 April 2017	746	1,925	2,671
Additions	9	127	136
Disposals	(746)	(1,759)	(2,505)
At 31 July 2017	9	293	302
<b>Accumulated depreciation</b>			
At 1 April 2015	641	1,597	2,238
Charge for the year	83	143	226
At 31 March 2016 and 1 April 2016	724	1,740	2,464
Charge for the year	11	92	103
At 31 March 2017 and 1 April 2017	735	1,832	2,567
Charge for the period	3	20	23
Write off on disposal	(737)	(1,720)	(2,457)
At 31 July 2017	1	132	133
<b>Net carrying value</b>			
At 31 March 2016	–	162	162
At 31 March 2017	11	93	104
At 31 July 2017	8	161	169

## 13. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at 31 July
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net	6,483	13,098	13,608
Retention receivables	917	917	917
Deposits, prepayments and other receivables	276	307	447
	7,676	14,322	14,972

The aging analysis of trade receivables, net of impairment, based on invoice date, as at the end of each of the Relevant Periods, is as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017 HK\$'000
Within 30 days	3,844	2,398	2,198
31-60 days	739	5,486	7,833
61-90 days	967	2,054	408
91-180 days	481	2,355	2,385
181-365 days	452	745	784
Over 365 days	–	60	–
	<u>6,483</u>	<u>13,098</u>	<u>13,608</u>

The credit period granted to customers is normally 14 days.

Retention monies are retained by customers based on progress of projects. Generally 50% of the retention receivables will be released upon issuance of certificate of practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contract, which is 24 months.

As at 31 March 2016 and 2017 and 31 July 2017, retention receivables of HK\$917,000, HK\$Nil and HK\$Nil were aged within 1 year, respectively.

The movements in the allowance for impairment of trade receivables are as follows:

	Year ended 31 March		Four months ended	
	2016	2017	31 July	
	HK\$'000	HK\$'000	2016	2017
			HK\$'000	HK\$'000
			(Unaudited)	
As at beginning of year/period	984	1,664	1,664	1,986
Impairment loss recognised	<u>680</u>	<u>322</u>	<u>140</u>	<u>97</u>
As at end of year/period	<u>1,664</u>	<u>1,986</u>	<u>1,804</u>	<u>2,083</u>

The aging analysis of trade receivables, net of impairment, based on due date, as at the end of each of the Relevant Periods, is as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Neither past due nor impaired	<u>2,962</u>	<u>722</u>	<u>1,267</u>
Past due but not impaired			
Less than 30 days	1,502	6,351	7,095
31-60 days	873	1,016	2,063
61-90 days	298	1,849	249
91-180 days	832	2,658	2,267
181-365 days	16	442	667
Over 365 days	<u>-</u>	<u>60</u>	<u>-</u>
	<u>3,521</u>	<u>12,376</u>	<u>12,341</u>
	<u>6,483</u>	<u>13,098</u>	<u>13,608</u>

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 March 2016 and 2017 and 31 July 2017, retention receivables were neither past due nor impaired.

#### 14. AMOUNTS DUE FROM CUSTOMERS OF CONTRACT WORK

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Costs incurred to date plus recognised profits	54,114	54,114	54,114
Less: Progress billings to date	<u>(54,053)</u>	<u>(54,114)</u>	<u>(54,114)</u>
	<u>61</u>	<u>-</u>	<u>-</u>
Amounts due from customers of contract work	<u>61</u>	<u>-</u>	<u>-</u>

## 15. AMOUNT DUE FROM A RELATED COMPANY

The amount due from Guardian Fire Engineers and Consultants, Limited ("GFE") is unsecured, interest-free and repayable on demand. Mr. Ken Poon is a director and shareholder of GEL and GFE; Ms. Lee To Yin, a director of GEL, is a director and shareholder of GFE; and Ms. Odilia Poon, a shareholder of GEL, is a director and shareholder of GFE.

Particulars of the amount due from GFE, disclosed pursuant to the Hong Kong Companies Ordinance, are as follows:

Name of company	As at	As at	As at	As at	Maximum outstanding amount during the		four months
	1 April 2015	31 March 2016	31 March 2017	31 July 2017	year end 31 March		ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2016	2017	31 July 2017
					HK\$'000	HK\$'000	HK\$'000
GFE	32,932	34,997	33,154	6,386	34,997	39,869	33,154

## 16. TRADE AND OTHER PAYABLES

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note (a))	8,533	14,926	19,655
Retention payables (Note (b))	1,362	1,362	1,362
Other payables, accruals and deposits received	443	204	309
	10,338	16,492	21,326

Notes:

- (a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The aging analysis of trade payables, based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
0-30 days	8,303	14,075	14,569
31-60 days	137	621	809
61-90 days	–	–	840
Over 90 days	93	230	3,437
	8,533	14,926	19,655

- (b) Retention monies are retained by GEL when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is 24 months. As at 31 March 2016 and 2017 and 31 July 2017, retention payables of HK\$1,362,000, HK\$Nil and HK\$Nil were aged within 1 year respectively.



**17. AMOUNT DUE FROM/(TO) A RELATED PARTY**

The amount is due from/(to) Mr. Tommy Poon, brother of Mr. Ken Poon, which is non-trade in nature, unsecured, interest-free and repayable on demand. During the four months ended 31 July 2017, the maximum balance due from Mr. Tommy Poon is HK\$238,000.

**18. SHARE CAPITAL**

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Issued and fully paid: 10,000 ordinary shares	100	100	100

**19. DIVIDEND**

	Year ended 31 March		Four months ended	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Special dividend declared of HK\$750 per share (year ended 31 March 2016: HK\$Nil)	–	7,500	–	–
Special dividend declared of HK\$43.7 per share (four months ended 31 July 2016: HK\$Nil)	–	–	–	437

**20. OPERATING LEASE COMMITMENTS**

GEL leases office premises under operating lease arrangement. The leases run for an initial period of six months to two years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Within one year	222	216	227
Later than one year and not more than five years	–	414	199
	222	630	426

**21. RELATED PARTY TRANSACTIONS**

- (a) Save as those disclosed elsewhere in this Historical Financial Information, GEL has the following significant transactions with related parties:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
<b>GFE, a related company</b>				
Revenue from alteration and addition services	6,760	6,834	3,049	1,824
Administration fee income	733	653	202	177
Rental expense	57	57	19	19

The terms of the above transactions were based on those agreed between GEL and GFE.

- (b) Compensation of key management personnel

Remuneration of key management personnel, who are directors of GEL, during the Relevant Periods were disclosed in Note 10.

**22. CAPITAL COMMITMENTS**

As at 31 March 2016 and 2017 and 31 July 2017, GEL did not have any significant capital commitments.

**23. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY**

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 March		As at 31 July
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
<b>Financial assets</b>			
<b>Financial assets at amortised cost</b>			
<i>Loans and receivables</i>			
– Trade and other receivables	7,669	14,322	14,972
– Amount due from a related company	34,997	33,154	6,386
– Amount due from a related party	–	–	20
– Bank balances and cash	8,104	4,921	8,301
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>			
<i>Financial liabilities at amortised costs</i>			
– Trade and other payables	10,338	16,492	21,326
– Amount due to a related party	33,635	28,009	–
– Dividend payable	–	7,500	7,937
	<u>          </u>	<u>          </u>	<u>          </u>

**Financial instruments not measured at fair value**

Above financial instruments which are measured at amortised costs are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

**24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT**

GEL is exposed to a variety of financial risks which comprise credit risk and liquidity risk. GEL's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on GEL's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. GEL does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, GEL employs a conservative strategy regarding its financial risk management. As the directors consider that GEL's exposure to financial risk is kept at a minimum level, GEL has not used any derivatives or other instruments for hedging purposes. The most significant risks to which GEL is exposed to are described below:

**(a) Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to GEL.

GEL's credit risk is primarily attributable to its trade and other receivables, amount due from a related company, amount due from a related party and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, it is GEL's policy to only deal with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, GEL does not obtain collateral from the counterparties.

In respect of bank balances, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The credit policies have been consistently applied and are considered to be effective in managing GEL's exposure.

**(b) Liquidity risk**

Liquidity risk relates to the risk that GEL will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. GEL is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. GEL's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by GEL for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of GEL's financial liabilities based on undiscounted cash flows and the earliest date GEL can be required to pay.

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>
<b>At 31 March 2016</b>			
Trade and other payables	10,338	10,338	10,338
Amount due to a related party	33,635	33,635	33,635
	<u>43,973</u>	<u>43,973</u>	<u>43,973</u>

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>
<b>At 31 March 2017</b>			
Trade and other payables	16,492	16,492	16,492
Amount due to a related party	28,009	28,009	28,009
Dividend payable	7,500	7,500	7,500
	<u>52,001</u>	<u>52,001</u>	<u>52,001</u>

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Total contractual undiscounted cash flow</b> <i>HK\$'000</i>	<b>Within 1 year or on demand</b> <i>HK\$'000</i>
<b>At 31 July 2017</b>			
Trade and other payables	21,326	21,326	21,326
Dividend payable	7,937	7,937	7,937
	<u>29,263</u>	<u>29,263</u>	<u>29,263</u>

(c) **Capital management**

GEL's capital management objectives are to safeguard GEL's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support GEL's stability and growth.

GEL monitors capital using gearing ratio, which is total debts to equity. Total debts include an amount due to a related party. Equity represents total equity of GEL.

The directors of GEL actively and regularly review and manage GEL's capital structure, taking into consideration the future capital requirements of GEL, to ensure optimal shareholders' returns. GEL manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, GEL may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and raise new debts or sells assets to reduce debts.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Amount due to a related party	33,635	28,009	–
Total debts	<u>33,635</u>	<u>28,009</u>	<u>–</u>
Total equity	<u>6,836</u>	<u>331</u>	<u>331</u>
Gearing ratio	<u>492%</u>	<u>8,462%</u>	<u>N/A</u>

## 25. BANKING FACILITIES

GEL has been granted banking facilities to the extent of HK\$1,000,000 which were secured by personal guarantees of Mr. Ken Poon and Ms. Odilia Poon.

As at the end of each of the Relevant Periods, none of these facilities was utilised.

## 26. NOTE TO STATEMENTS OF CASH FLOWS

Pursuant to a set-off agreement effective on 11 June 2017, the amount due to Mr. Tommy Poon of HK\$28,009,000 was transferred to Mr. Ken Poon, which was then undertaken by GFE. As a result, the amount due to a related party and the amount due from a related company of GEL were reduced by the amount of HK\$28,009,000 during the four months ended 31 July 2017.

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in GEL's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in GEL's statements of cash flows from financing activities.

For the year ended 31 March 2016	At the	Financing	Other	At the end
	beginning			
	of the year			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to a related party	34,209	(574)	–	33,635
For the year ended 31 March 2017	At the	Financing	Other	At the end
	beginning			
	of the year			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to a related party	33,635	(5,626)	–	28,009
Dividend payable	–	–	7,500	7,500

<b>For the four months ended 31 July 2017</b>	<b>At the beginning of the period <i>HK\$'000</i></b>	<b>Financing cash flows <i>HK\$'000</i></b>	<b>Other changes <i>HK\$'000</i></b>	<b>At the end of the period <i>HK\$'000</i></b>
Amount due (from)/to a related party	28,009	(20)	(28,009)	(20)
Dividend payable	7,500	–	437	7,937

<b>For the four months ended 31 July 2016 (Unaudited)</b>	<b>At the beginning of the period <i>HK\$'000</i></b>	<b>Financing cash flows <i>HK\$'000</i></b>	<b>Other changes <i>HK\$'000</i></b>	<b>At the end of the period <i>HK\$'000</i></b>
Amount due to a related party	33,635	1,092	–	34,727

## 28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by GEL in respect of any period subsequent to 31 July 2017.

*The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, set out in Appendix IA and IB to this prospectus, and are included to herein for illustrative purpose only;*

## I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### 1. INTRODUCTION

The unaudited pro forma financial information of the Enlarged Group, comprising unaudited pro forma combined statement of financial position, unaudited pro forma combined statement of comprehensive income and unaudited pro forma combined statement of cash flows (collectively the “**Unaudited Pro Forma Financial Information**”), has been prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the financial impact of the acquisition of entire issued share capital of Guardian Engineering Limited (“**GEL**”) by Vistar Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) (the “**GEL Acquisition**”) on the financial position of Group as if the GEL Acquisition had been completed on 31 July 2017, and on the financial performance and cash flows of the Group as if the GEL Acquisition had taken place at the commencement of the year ended 31 March 2017. The Group and GEL are collectively referred to as the Enlarged Group.

The basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is set out below:

- (a) The unaudited pro forma combined statement of financial position of the Enlarged Group has been prepared based on (i) the combined statement of financial position of the Group as at 31 July 2017 as extracted from the accountants' report as set out in Appendix IA to the prospectus of the Company dated 31 January 2018 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the GEM of the Stock Exchange; and (ii) the statement of financial position of GEL as at 31 July 2017 as extracted from the accountants' report as set out in Appendix IB to the Prospectus.

- (b) The unaudited pro forma combined statement of comprehensive income and the unaudited pro forma combined statement of cash flows of the Enlarged Group have been prepared based on (i) the combined statement of comprehensive income and combined statement of cash flows of the Group for the year ended 31 March 2017 as extracted from the accountants' report as set out in Appendix IA to the Prospectus; and (ii) the statement of comprehensive income and the statement of cash flows of GEL for the year ended 31 March 2017 as extracted from the accountants' report as set out in Appendix IB to the Prospectus.
- (c) After taking into account of the unaudited pro forma adjustments, which are directly attributable to the GEL Acquisition and factually supportable, as described in the notes thereto to demonstrate how the GEL Acquisition might have affected the historical financial information of the Group as if the GEL Acquisition had been completed on the respective dates.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in the Prospectus.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position, and financial performance and cash flows of the Enlarged Group that would have been attained had the GEL Acquisition been completed on 31 July 2017 or 1 April 2016 respectively or any other date.



2. UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL  
POSITION OF THE ENLARGED GROUP

	The Group as at 31 July 2017 <i>HK\$'000</i> <i>(Note 1)</i>	GEL as at 31 July 2017 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 3)</i> <i>(Note 4)</i>		Unaudited pro forma Enlarged Group as at 31 July 2017 <i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	1,206	169			1,375
Current assets					
Trade and other receivables	38,395	14,972			53,367
Amounts due from customers of contract work	44,713	–			44,713
Amount due from a related company	–	6,386		(6,386)	–
Amount due from a related party	–	20			20
Pledged deposits	4,761	–			4,761
Pledged bank deposits	6,231	–			6,231
Bank balances and cash	18,299	8,301	(331)		26,269
Total current assets	112,399	29,679			135,361
Current liabilities					
Trade and other payables	48,715	21,326			70,041
Amounts due to customers of contract work	2,279	–			2,279
Bank borrowings, secured	1,640	–			1,640
Amounts due to directors of the Company and a director of a subsidiary	10,979	–			10,979
Amount due to a related company	6,386	–		(6,386)	–
Dividend payable	–	7,937			7,937
Income tax payable	5,778	250			6,028

## APPENDIX IIA

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	The Group as at 31 July 2017 <i>HK\$'000</i> <i>(Note 1)</i>	GEL as at 31 July 2017 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 3)</i> <i>(Note 4)</i>		Unaudited pro forma Enlarged Group as at 31 July 2017 <i>HK\$'000</i>
Total current liabilities	<u>75,777</u>	<u>29,513</u>			<u>98,904</u>
Net current assets	<u>36,622</u>	<u>166</u>			<u>36,457</u>
Total assets less current liabilities	<u>37,828</u>	<u>335</u>			<u>37,832</u>
Non-current liabilities					
Deferred tax liabilities	<u>–</u>	<u>4</u>			<u>4</u>
Net assets	<u><u>37,828</u></u>	<u><u>331</u></u>			<u><u>37,828</u></u>
Capital and reserves					
Share capital	–	100	(100)		–
Reserves	<u>37,828</u>	<u>231</u>	(231)		<u>37,828</u>
Total equity	<u><u>37,828</u></u>	<u><u>331</u></u>			<u><u>37,828</u></u>

3. UNAUDITED PRO FORMA COMBINED STATEMENT OF COMPREHENSIVE  
INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 1)</i>	GEL for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 3)</i> <i>(Note 4)</i>		Unaudited pro forma Enlarged Group for the year ended 31 March 2017 <i>HK\$'000</i>
Revenue	161,167	52,783		(6,834)	207,116
Cost of revenue	<u>(135,342)</u>	<u>(45,540)</u>		7,487	<u>(173,395)</u>
Gross profit	25,825	7,243			33,721
Other income and gains	1,084	653		(710)	1,027
Administrative and other operating expenses	(8,736)	(6,728)		57	(15,407)
Finance costs	<u>(149)</u>	<u>-</u>			<u>(149)</u>
Profit before income tax	18,024	1,168			19,192
Income tax	<u>(3,037)</u>	<u>(173)</u>			<u>(3,210)</u>
Profit and total comprehensive income for the year	<u><u>14,987</u></u>	<u><u>995</u></u>			<u><u>15,982</u></u>

## 4. UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group	GEL	Unaudited pro forma		Unaudited
	for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 1)</i>	for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 2)</i>	adjustments		pro forma Enlarged Group for the year ended 31 March 2017 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
<b>Operating activities</b>					
Profit before income tax	18,024	1,168			19,192
Adjustments for:					
Depreciation	872	103			975
Gain on disposal of property, plant and equipment	(119)	–			(119)
Bank interest income	(7)	–			(7)
Investment income	(50)	–			(50)
Gain on disposal of financial assets at fair value through profit or loss	(54)	–			(54)
Impairment loss on trade receivables	–	322			322
Finance costs	149	–			149
	<u>          </u>	<u>          </u>			<u>          </u>
Operating profit before working capital changes	18,815	1,593			20,408
Increase in trade and other receivables	(14,916)	(6,968)			(21,884)
Increase in amounts due from customers of contract work	(18,725)	61			(18,664)
Increase in pledged deposits	(3,106)	–			(3,106)
Decrease in pledged bank deposits	1,513	–			1,513
Increase in amounts due to customers of contract work	1,539	–			1,539
Decrease in amount due from a related company	–	1,843		(1,843)	–
(Decrease)/increase in trade and other payables	(713)	6,154			5,441
Decrease in amount due to a related company	(1,843)	–		1,843	–
	<u>          </u>	<u>          </u>			<u>          </u>
Cash (used in)/generated from operating activities	(17,436)	2,683			(14,753)
Income tax paid	(232)	(195)			(427)
	<u>          </u>	<u>          </u>			<u>          </u>
Net cash (used in)/generated from operating activities	<u>(17,668)</u>	<u>2,488</u>			<u>(15,180)</u>

	The Group for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 1)</i>	GEL for the year ended 31 March 2017 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjustments		Unaudited pro forma Enlarged Group for the year ended 31 March 2017 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
<b>Investing activities</b>					
Purchase of property, plant and equipment	(761)	(45)			(806)
Proceeds from disposal of property, plant and equipment	150	–			150
Decrease in amounts due from directors	4,299	–			4,299
Investment income received	50	–			50
Proceeds from sale of financial assets at fair value through profit or loss	1,746	–			1,746
Interest received	7	–			7
	<u>5,491</u>	<u>(45)</u>			<u>5,446</u>
Net cash generated from/ (used in) investing activities					
	<u>5,491</u>	<u>(45)</u>			<u>5,446</u>
<b>Financing activities</b>					
Repayments of bank borrowings	(1,163)	–			(1,163)
Capital element of finance lease payments	(332)	–			(332)
Interest paid on bank borrowings	(124)	–			(124)
Interest paid on obligations under finance leases	(25)	–			(25)
Decrease in amount due to a related party	–	(5,626)			(5,626)
	<u>(1,644)</u>	<u>(5,626)</u>			<u>(7,270)</u>
Net cash used in financing activities					
	<u>(1,644)</u>	<u>(5,626)</u>			<u>(7,270)</u>
Net decrease in cash and cash equivalents	(13,821)	(3,183)			(17,004)
Cash and cash equivalents at beginning of year	<u>33,276</u>	<u>8,104</u>	(331)		<u>41,049</u>
Cash and cash equivalents at end of year, which represented bank balances and cash	<u>19,455</u>	<u>4,921</u>			<u>24,045</u>

**Notes to the Unaudited Pro Forma Financial Information:**

1. The balances were extracted from the combined statement of financial position of the Group as at 31 July 2017, and the combined statement of comprehensive income and the combined statement of cash flows of the Group for the year ended 31 March 2017 as set out in Appendix IA to the Prospectus.
2. The balances were extracted from the statement of financial position of GEL as at 31 July 2017, and the statement of comprehensive income and the statement of cash flows of GEL for the year ended 31 March 2017 as set out in Appendix IB to the Prospectus.
3. Pursuant to the share sale agreement of the GEL Acquisition dated 3 August 2017 entered into between the Group and the shareholders of GEL, the Group agreed to purchase and the shareholders of GEL agreed to sell the entire issued share capital of GEL at a cash consideration of HK\$331,000. The pro forma adjustment reflects the allocation of cost of the GEL Acquisition to the identifiable assets and liabilities of GEL, which represents:

**(a) Fair value adjustment of the identifiable assets and liabilities of GEL**

Upon completion of the GEL Acquisition, the identifiable assets and liabilities of GEL in the unaudited pro forma combined statement of financial position of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

The identifiable assets and liabilities of GEL as at the date of the GEL Acquisition as if the GEL Acquisition had taken place on 31 July 2017 are as follows:

	<b>Carrying values and fair values</b>
	<i>HK\$'000</i>
Property, plant and equipment	169
Trade and other receivables	14,972
Amount due from a related company	6,386
Amount due from a related party	20
Bank balances and cash	8,301
Trade and other payables	(21,326)
Dividend payable	(7,937)
Income tax payable	(250)
Deferred tax liabilities	(4)
	<hr/>
Net identifiable assets	<b>331</b>

The directors of the Company considered that the carrying values of the identifiable assets and liabilities of GEL as at 31 July 2017 approximated to their fair values. The fair values of the identifiable assets and liabilities are estimated by the directors, which will be reassessed on the completion date of the GEL Acquisition together with the fair value assessment of the deferred tax impact in relation to any fair value adjustments.

**(b) Recognition of goodwill in relation to the GEL Acquisition**

Excess of the Group's purchase price over the interests in the net fair value of the identifiable assets and liabilities of GEL is recognised as goodwill in the unaudited pro forma combined statement of financial position as if the GEL Acquisition had taken place on 31 July 2017.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the GEL Acquisition is analysed as follows:

	<i>HK\$'000</i>
Cash consideration	331
Less: fair value of the identifiable assets and liabilities of GEL ( <i>Note 3(a)</i> )	<u>(331)</u>
Goodwill	<u>–</u>

Since the fair value of the identifiable net assets of GEL at the date of the completion of the GEL Acquisition may be substantially different, the goodwill, if any, recognised at the completion date of the GEL Acquisition may be different from the amount presented above.

4. The unaudited pro forma adjustment represents elimination of the balances between the Group and GEL as at 31 July 2017 and the transactions and cash flows between the Group and GEL for the year ended 31 March 2017.
5. The directors of the Company confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of GEL to be consistently adopted in the first set of the financial statements of the Group after the completion of the GEL Acquisition.
6. Apart from the GEL Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 July 2017.

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*

## II. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the directors of Vistar Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vistar Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of financial position as at 31 July 2017, and the unaudited pro forma combined statement of comprehensive income and the unaudited pro forma combined statement of cash flows for the year ended 31 March 2017 and related notes as set out on pages IIA-3 to IIA-9 of Appendix IIA to the Company’s prospectus dated 31 January 2018 (the “**Prospectus**”), in connection with the Group’s acquisition of the entire issued share capital of Guardian Engineering Limited (“**GEL**”) pursuant to the share sale agreement dated 3 August 2017 (the “**GEL Acquisition**”). The Group and GEL are collectively referred to as the Enlarged Group. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix IIA to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the GEL Acquisition on the Group’s financial position as at 31 July 2017 as if the GEL Acquisition had taken place at 31 July 2017, and the Group’s financial performance and cash flows for the year ended 31 March 2017 as if the GEL Acquisition had taken place as at 1 April 2016. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the combined statement of financial position of the Group as at 31 July 2017, and information about the Group’s financial performance and cash flows has been extracted by the directors of the Company from the combined statement of comprehensive income and the combined statement of cash flows for the year ended 31 March 2017, on which an accountants’ report set out in Appendix IA to the Prospectus has been published.



**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at respective earlier dates selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the GEL Acquisition as at 31 July 2017 or 1 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction, in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong

31 January 2018

<b>APPENDIX IIB</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, set out in Appendix IA to this prospectus, and are included to herein for illustrative purpose only.

**I. UNAUDITED PRO FORMA STATEMENT OF COMBINED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of combined net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Share Offer as if the Share Offer had taken place on 31 July 2017. Because of its hypothetical nature, this unaudited pro forma statement of combined net tangible assets of the Group may not give a true picture of the financial position of the Group had the Share Offer been completed on 31 July 2017 or at any future dates.

	<b>Combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma combined net tangible assets of the Group attributable to owners of the Company</b>	<b>Unaudited pro forma combined net tangible assets per Share</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.17 per Offer Share	37,828	35,727	73,555	0.06
Based on Offer Price of HK\$0.23 per Offer Share	37,828	52,107	89,935	0.07

**Notes to the Unaudited Pro Forma Financial Information:**

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 are based on the combined net assets of the Group attributable to owners of the Company as at 31 July 2017 of HK\$37,828,000 as shown in the Accountants' Report of the Group set out in Appendix IA to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 300,000,000 Offer Shares and the minimum indicative Offer Price and maximum indicative Offer Price of HK\$0.17 and HK\$0.23 per Offer Share, respectively, after deduction of the underwriting fees and related expenses payable and borne by the Company which have not been reflected in combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017. No account has been taken of any Share which may be issued upon the exercise of any option that may be granted under the Share Option Scheme.
3. The unaudited pro forma combined net tangible assets per Share is calculated based on 1,200,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account of any Share which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchases of Shares referred to in Appendix V to this prospectus.
4. No adjustment has been made to the unaudited pro forma combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*

## **II. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **To the directors of Vistar Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vistar Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Group as at 31 July 2017 and related notes as set out on pages IIB-1 to IIB-2 of Appendix IIB to the Company’s prospectus dated 31 January 2018 (the “**Prospectus**”) in connection with the proposed initial public offering of the shares of the Company (the “**Share Offer**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix IIB to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group’s combined net tangible assets as at 31 July 2017 as if the Share Offer had taken place at 31 July 2017. As part of this process, information about the Group’s combined net tangible assets has been extracted by the directors of the Company from the Group’s financial information for the four months ended 31 July 2017, on which an accountants’ report set out in Appendix IA to the Prospectus has been published.

### **Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Share Offer as at 31 July 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction, in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

### **BDO Limited**

*Certified Public Accountants*

Hong Kong

31 January 2018

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the property interest held by the Group.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

31 January 2018

The Board of Directors  
**Vistar Holdings Limited**  
Workshop No. 2, 13/F,  
Tak King Industrial Building,  
Chai Wan, Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest held by Vistar Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2017 (the “**valuation date**”).

Pursuant to the agreement for sale and purchase dated 11 December 2017 and the assignment dated 15 January 2018, the Company has disposed of the property and the sale and purchase has been completed on 15 January 2018.

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.



In valuing the property interest, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 7 July 2017 by Ms. Tracy Yuen. Ms. Tracy Yuen is a probationer of RICS.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD).

Our valuation certificate is attached.

Yours faithfully,  
for and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## VALUATION CERTIFICATE

## Property interest held for occupation by the Group in Hong Kong as at the valuation date

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017 <i>HKD</i>
Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong	The property comprises a workshop unit on 13th Floor of a 26-storey industrial building completed in 1984.	As at the valuation date, the property was occupied by the Group for workshop, storage, showroom and ancillary office purposes.	13,600,000
19/1,100th shares of and in Chai Wan Inland Lot No. 1	The property has a saleable area of approximately 2,937 sq.ft. (or 272.87 sq.m.).  The property is held under Conditions of Sale No. UB7082 for a term of 75 years commencing from 1 May 1962 renewable for 75 years subject to payment of an annual Government rent of HKD220 for the lot.		

*Notes:*

1. The subject building is situated on the south-western side of Lee Chung Street close to the junction with Chui Hang Street. The locality is characterised by medium to high-rise industrial buildings of various ages.
2. As at the valuation date, the registered owner of the property was Guardian Fire Engineers and Consultants, Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. UB4759369 dated 8 March 1991. Pursuant to the assignment dated 15 January 2018 entered into between Guardian Fire Engineers and Consultants, Limited (as the vendor) and Vistar Alliance Limited (a company owned by the existing shareholders, as the purchaser), the property has been assigned to the purchaser.
3. According to the Chai Wan Outline Zoning Plan No. S/H20/23 dated 15 September 2017, the site of the property is zoned as "Other Specified Uses (Business)".
4. Pursuant to the land search record, as at the valuation date, the property was subject to, inter alia, the following encumbrances:
  - a. Deed of Mutual Covenant vide Memorial No. UB2659947 dated 16 October 1984;
  - b. Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. UB8843850 dated 12 December 2002;
  - c. Agreement for Sale and Purchase in favour of Vistar Alliance Limited at the consideration of HKD13,300,000 vide Memorial No. 18010800580036 dated 11 December 2017; and
  - d. Superseding Order No. "UBCSI/08-47/0039/11" under S.24(1) of the Buildings Ordinance by the Building Authority vide Memorial No. 18012300770020 dated 20 December 2017 (Re.: common part(s) only) (Pending Registration).
5. In our valuation, we have assumed the said Order above has been complied with to the satisfaction of the Building Authority and no remedial costs (if any) have been allowed for.

6. Pursuant to a tenancy agreement dated 22 January 2018 entered into between Vistar Alliance Limited (as the landlord) and Guardian Fire Engineers and Consultants, Limited (as the tenant), the property was leased for a term commencing from 16 January 2018 to 31 March 2020 at a monthly rent of HKD43,800 exclusive of Government rent, rates, management fee and other outgoings.
7. Our valuation has been made on the following basis and analysis:
  - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property. These selected comparables are located at industrial area in Chai Wan and close to the subject property, which were transacted in 2017. They are general industrial units in medium to high-rise buildings completed in 1974 to 1986 whilst the subject property was completed in 1984. The unit price of these comparables range from HKD4,033/sq.ft. to HKD4,887/sq.ft. on saleable area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characteristics between the comparable properties and the subject property to arrive at an assumed unit rate of HKD4,631/sq.ft. on saleable area basis for the subject property; and
  - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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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 27 June 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (“**Memorandum**”) and its 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 in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 24 January 2018. A summary of certain provisions of the Articles is set out below.

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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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.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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*(vi) 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.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.



<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) 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.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (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;

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
---

- (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, 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 any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
---

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 (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;  
or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) 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.



<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
---

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, 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.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(e)    Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(f) 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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (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 to such dividend 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.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(h) 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 summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3.      CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 27 June 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a)      Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b)      Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (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 Cayman 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.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(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 act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.



<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(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 to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(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 that:

- (i)      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)     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 20 years from 19 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k)      Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l)      Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m)      Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(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. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

<b>APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW</b>
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**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

- (a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 27 June 2017. Our Company has established its principal place of business in Hong Kong at Unit 2, 13/F., Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 1 September 2017. Mr. Ken Poon, our executive Director, Chief Executive Officer, Chairman and a Controlling Shareholder, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.
- (b) As our Company is incorporated in the Cayman Islands, the corporate structure and our Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles and certain aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 shares at a nominal value of HK\$0.01 each.

The following sets out the changes in the share capital since the date of our Company's incorporation:

- (a) on 27 June 2017, one Share of par value of HK\$0.01 each was allotted and issued as fully paid up to Reid Services Limited as the initial subscriber. On 15 July 2017, Reid Services Limited transferred the one subscriber Share to Success Step at par. On the same day, 464 Shares, 435 Shares and 100 Shares were allotted and issued as fully paid at par to Success Step, Noble Capital and Legend Advanced, respectively;
- (b) pursuant to resolutions in writing of all Shareholders passed on 24 January 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$38,000,000 by the creation of an additional 3,762,000,000 new Shares; and
- (c) immediately following the completion of the Capitalisation Issue and Share Offer (but taking no account of any Shares which may be allotted and issued upon the exercise of the options under the Share Option Scheme), the issued share capital of our Company will be HK\$12,000,000 divided into 1,200,000,000 Shares, all fully paid or credited as fully paid and 2,600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme below, our Company does not have any present intention to issue any part of the authorised but unissued shares of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the above and as mentioned in the paragraph headed “A. Further information about our Company — 4. Resolutions in writing of our Shareholders” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Changes in share capital of our subsidiaries**

Our subsidiaries are referred to in the Accountants’ Report as set out in Appendix IA to this prospectus.

Save for the alterations disclosed in the section headed “History, Reorganisation and Corporate Structure” of this prospectus, there is no other alternation in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

### **4. Resolutions in writing of our Shareholders**

Pursuant to the resolutions in writing of our Shareholders passed on 24 January 2018:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$38,000,000 divided into 3,800,000,000 Shares of a par value of HK\$0.01 each, by the creation of an additional 3,762,000,000 new Shares which shall, when issued and paid, rank pari passu in all respects with the existing issued Shares;
- (b) the Memorandum and Articles were approved and adopted and be effective upon the Listing;
- (c) conditional on (i) the Listing Division granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer; and



- (ii) the rules of the Share Option Scheme (the principal of which are set out in the paragraph headed “Share Option Scheme” in this Appendix) was approved and adopted and our Directors were authorised to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme.
  
- (d) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of Offer Shares pursuant to the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of approximately HK\$8,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 899,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members or the principal share register of our Company at the close of business on 24 January 2018 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares in issue, and our Directors were authorised to give effect to such capitalisation and allotment (the “**Capitalisation Issue**”);
  
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

## **5. Corporate reorganisation**

In preparation for the Share Offer, our Group undertake the Reorganisation. Please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for further details.

## **6. Repurchase of our Shares**

### *(a) Relevant legal and regulatory requirements*

The GEM Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by the Shareholders in a general meeting.

### *(b) Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing passed by all Shareholders on 24 January 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate number of the share capital of our Company in issue immediately following the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. Such mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting, (ii) the date by which our Company's next general meeting is required by applicable laws and our Company's Articles to be held, or (iii) such mandate being varied or revoked or renewed by ordinary resolutions of the Shareholders in a general meeting (the "**Relevant Period**").

(c) *Source of funds*

Our Company's repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Company's Articles and the applicable laws of Hong Kong. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Company may make repurchases out of the profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by the Articles and subject to the Companies Ordinance, repurchase may also be made out of capital.

(d) *Reasons for repurchases*

Our Directors believe that it is in our Company's and its Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and its Shareholders.

(e) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Companies Ordinance and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(f) Share capital*

The exercise in full of the current Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), could accordingly result in up to 120,000,000 Shares being repurchased by our Company during the Relevant Period.

*(g) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person of our Company has notified our Group that he or it has a present intention to sell his or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.




**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

Our Group have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the share sale agreement dated 31 August 2017 entered into between the GFE Shareholders as vendors, our Company as purchaser and Guardian Team in relation to the acquisition of the entire issued share capital of Guardian Fire Engineers and Consultants in consideration of which our Company issued and allotted 4,185 Shares, 3,915 Shares and 900 Shares to Success Step, Noble Capital and Legend Advanced, respectively;
- (b) the share sale agreement dated 3 August 2017 entered into between Mr. Ken Poon and Ms. Odilia Poon as vendors and Guardian Team as purchaser in relation to the acquisition of the entire issued share capital of Guardian Engineering at an aggregate consideration of HK\$331,000;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition; and
- (e) the Public Offer Underwriting Agreement.



**2. Intellectual property rights**

- (a) As at the Latest Practicable Date, our Group had registered the following trademarks in the following jurisdiction:

No.	Trademark	Registered owner	Jurisdiction	Class <i>(Note)</i>	Registration number	Duration of validity
1		Vistar Holdings Limited	Hong Kong	37	304208616	17 July 2017 to 17 July 2027
2		Vistar Holdings Limited	Hong Kong	37	304208625	17 July 2017 to 17 July 2027
3		Vistar Holdings Limited	Hong Kong	37	304208634	17 July 2017 to 17 July 2027

*Note:* Class 37 – Building construction; repair; installation services.

- (b) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the following jurisdiction:

No.	Trademark	Applicant	Place of application	Class <i>(Note)</i>	Application number	Application date
1		GFE	Hong Kong	37	304200542	10 July 2017
2		GEL	Hong Kong	37	304200551	10 July 2017

*Note:* Class 37 – Building construction; repair; installation services.

- (c) As at the Latest Practicable Date, our Group had registered the following domain names:

Domain names	Name of Registered Owner	Expiry Date
www.guardianhk.com	Guardian Engineering	30 July 2020
vistarholdings.com	Vistar Holdings Limited	17 January 2023

## C. DISCLOSURE OF INTERESTS

### 1. Disclosure of interests

- (a) *Interests and short positions of our Directors in the share capital and the associated corporations following the completion of the Capitalisation Issue and the Share Offer*

Immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), the interests of our Directors and chief executives in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares <sup>(Note 1)</sup>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer <sup>(Note 2)</sup>
Mr. Ken Poon <sup>(Notes 3 and 6)</sup>	Interest in a controlled corporation	508,500,000	42.4%
Mr. Tommy Poon <sup>(Notes 4 and 6)</sup>	Settlor and beneficiary of a discretionary trust	481,500,000	40.1%
Ms. Odilia Poon <sup>(Notes 5 and 6)</sup>	Interest in a controlled corporation	90,000,000	7.5%

*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme).
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, will directly hold 418,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 6 below. Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 Shares which Success Step is deemed to be interested in.
- (4) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, will directly hold 391,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 6 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.
- (5) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, will directly hold 90,000,000 Shares after the completion of the Share Offer.
- (6) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.

(b) *Interests and short positions of our substantial Shareholders in the share capital and the associated corporations following the completion of the Capitalisation Issue and the Share Offer*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of the subsidiaries:

Name of Shareholder	Name of company	Capacity/ Nature of Interest	Number of Underlying Shares <sup>(Note 1)</sup>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer <sup>(Note 2)</sup>
Success Step <sup>(Notes 3 and 5)</sup>	Our Company	Beneficial owner	418,500,000	34.9%
		Holder of equity derivative	<u>90,000,000</u>	<u>7.5%</u>
			508,500,000	42.4%
Noble Capital <sup>(Notes 4 and 5)</sup>	Our Company	Beneficial owner	391,500,000	32.6%
		Holder of equity derivative	<u>90,000,000</u>	<u>7.5%</u>
			481,500,000	40.1%
Trust Holding Company <sup>(Notes 4 and 5)</sup>	Our Company	Interest in a controlled corporation	481,500,000	40.1%
Unity Trust <sup>(Notes 4 and 5)</sup>	Our Company	Trustee of trust	481,500,000	40.1%
Legend Advanced <sup>(Note 6)</sup>	Our Company	Beneficial owner	90,000,000	7.5%
Ms. Deng Anna Man Li <sup>(Note 7)</sup>	Our Company	Interest of spouse	508,500,000	42.4%
Ms. Lau Sze Mun Charmaine <sup>(Note 8)</sup>	Our Company	Interest of spouse	481,500,000	40.1%
Mr. Roberts Christopher John <sup>(Note 9)</sup>	Our Company	Interest of spouse	90,000,000	7.5%



*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme).
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, will directly hold 418,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below. Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 Shares which Success Step is deemed to be interested in.
- (4) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, will directly hold 391,500,000 Shares after the completion of the Share Offer and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, will directly hold 90,000,000 Shares after the completion of the Share Offer.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the Shares held by Mr. Ken Poon.
- (8) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Tommy Poon. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in the Shares held by Mr. Tommy Poon.
- (9) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the Shares held by Ms. Odilia Poon.

**D. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Directors' service contracts**

Each of the executive Directors and non-executive Director will enter into a service contract with our Company for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of our Company. The appointment of the Executive Directors and non-executive Director may be terminated by either party by giving at least three (3) months' written notice to the other.

Each of the independent non-executive Directors will enter into a letter of appointment with our Company for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of our Company. The appointment of each of the independent non-executive Directors may be terminated by either party by giving at least one (1) month's written notice to the other.

The current basic annual salaries of our Directors under the current service contracts or appointment letters with our Company are as follows:

<b>Name</b>	<b>Annual Amount HK\$</b>
Mr. Ken Poon	1,002,000
Mr. Tommy Poon	816,000
Mr. Ng Kwok Wai	738,000
Ms. Odilia Poon	120,000
Dr. Wong Kam Din	120,000
Mr. Yung Chung Hing	120,000
Mr. Lam Chung Wai	120,000

Save as disclosed above, none of the Directors has or is proposed to have a service contract or an appointment letter (as the case may be) with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Our Company has not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determinable by our Company within one year without payment of compensation (other than statutory compensation).

## 2. Directors' remuneration during the Track Record Period

For the two financial years ended 31 March 2016 and 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors was approximately HK\$962,000 and HK\$1,515,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable in respect of the two financial years ended 31 March 2017 by our Group to our Directors.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (including discretionary bonus) for the financial year ending 31 March 2018 will be approximately HK\$3,036,000.

## E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholder passed on 24 January 2018:

### 1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Group.

### 2. Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to our Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which our Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of our Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to our Company or any of its subsidiaries or any Invested Entity;
- (d) any customer of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; and
- (f) any Shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our Directors from time to time on the basis of the participants' contribution to the development and growth of our Group. In order for a person to satisfy our Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as our Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

### 3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be 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 schemes of our Group) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (excluding the Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) which amounts to 120,000,000 Shares (the "**General Mandate Limit**").
- (c) Subject to (a) above and without prejudice to (d), our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of its shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.

- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the refreshed limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

#### 4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the “**Individual Limit**”).
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of our Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the 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.
- (c) In addition to our Shareholders' approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options under the Share Option Scheme or any other share option scheme of our Group to a Director, chief executive or substantial Shareholder or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (d) Where any grant of options to a substantial Shareholder or an independent non-executive Director 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) under the Share Option Scheme or any other share option schemes of our Group to such person in the 12-month period up to and including the date of such grant:
  - (i) representing in aggregate more than 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. Our Company must send a circular to our Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

#### **5. Minimum period of holding an option and performance target**

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

#### **6. Subscription price for Shares**

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and (iii) the nominal value of the Share. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

#### **7. Rights are personal to grantee**

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

#### **8. Time of exercise of option**

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

**9. Rights on ceasing employment or death**

If the grantee of an option, who is an employee of the Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Group or Invested Entity for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine, in which case 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 or termination, which date shall be the last day on which the grantee was actually at work with the Group or the relevant Invested Entity, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse.

If the grantee of an option, who is an employee of our Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Company or Invested Entity by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate, his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or any Invested Entity, whether salary is paid in lieu of notice or not (or such longer period as our Directors may determine), failing which it will lapse.

**10. 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, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, 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 our Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

**11. Rights on winding-up**

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two business days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

**12. Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of our Company's Memorandum of Association and the Articles for the time being in force 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 our 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 name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

**13. Period of the Share Option Scheme**

Unless terminated by our Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.



**14. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of our Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

**15. Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed “Maximum number of Shares” above, and (d) an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 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 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

**16. Cancellation of options**

Our Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as our Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offers to grant or grants new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum Number of Shares” above.

**17. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on (i) the Listing Division granting approval of the listing of, and permission to deal in, the Shares on the GEM, which Shares may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (ii) upon the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sponsor and/or Joint Lead Managers, for themselves and on behalf of the Underwriters) and such obligation not being terminated in accordance with the terms of the Underwriting Agreements; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

**18. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. Details of the options granted, including options exercised or outstanding, under Share Option Scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders of our Company seeking approval of the first new scheme to be established after such termination.

**19. Status of the GEM Listing Rules**

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

**20. Present status of the Share Option Scheme**

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

**F. OTHER INFORMATION****1. Tax and other indemnity**

Our Controlling Shareholders (except for Unity Trust which entered into the deed solely in its capacity as trustee of Alderhill Trust) entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for our subsidiaries) (being the contract referred to in the paragraph headed “— B. Further information about our business — 1. Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

**2. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

**3. The Sponsor**

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules and has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares falling to be allotted and issued under the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor's fees are HK\$4,480,000 and are payable by our Company.

**4. Preliminary expenses**

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$50,000 and are payable by our Company.

## 5. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to, or is proposed to be paid, allotted or given to, any promoter in connection with the Share Offer or the related transactions described in this prospectus.

## 6. Qualification of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Kingsway Capital Limited	A licenced corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Frost & Sullivan International Limited	Industry consultant
Appleby	Cayman Islands legal advisor
Mr. Poon Chi Kin Billy	Barrister-at-law, Hong Kong
Edwin Yeung & Company (CPA) Limited	Certified Public Accountants

## 7. Consents

Each of the experts named in paragraph 6 of this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**8. Share register**

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of members will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

**9. Miscellaneous**

Save as disclosed in this prospectus:

- (a) none of our Directors nor chief executives has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, under the GEM Listing Rules to be notified to our Company and the Stock Exchange, in each case once our Shares are listed;
- (b) none of the Directors nor any of the parties listed in the paragraph headed "Consents" in this Appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (c) none of the Directors nor any of the parties listed in the paragraph headed "Consents" 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;
- (d) save for the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents" in this Appendix:
  - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (e) none of the equity and debt securities of our 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 from any other stock exchange;

- (f) within the two years preceding the date of this prospectus, no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
- (g) within the two years preceding the date of this prospectus, no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (h) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares or debentures;
- (i) our Company has no outstanding convertible debt securities or debentures;
- (j) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and our Company has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (k) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (l) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of the promoters of our Company nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (m) since 31 March 2017, there has been no material adverse change in the financial or trading position or prospects of our Company;
- (n) there is no arrangement under which future dividends are waived or agreed to be waived;
- (o) the Share Offer does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (p) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (q) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;

- (r) the English text of this prospectus shall prevail over the Chinese text; and
- (s) none of our Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system.

#### **10. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all 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.

#### **11. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

<b>APPENDIX VI    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the written consents as referred to in the section headed “Statutory and general information — F. Other information — 7. Consents” in Appendix V to this prospectus; (ii) copies of the material contracts as referred to in the section headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus; and (iii) a copy of each of the **WHITE, YELLOW, GREEN** Application Forms.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at our office at Suites 2103-05, 21st Floor, 9 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association;
2. the Articles of Association;
3. the Accountants’ Reports from BDO Limited, the text of which is set out in Appendix IA and Appendix IB to this prospectus;
4. the audited consolidated financial statements of our Group for the two financial years ended 31 March 2017 and the four months ended 31 July 2017;
5. the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IIA to this prospectus;
6. the report from BDO Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIB to this prospectus;
7. the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus;
8. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
9. the legal opinion as to certain aspects of Hong Kong law issued by Mr. Poon Chi Kin Billy, Barrister-at-law, Hong Kong;
10. the letter of advice issued by Edwin Yeung & Company (CPA) Limited;
11. the Companies Law;
12. the rules of the Share Option Scheme;
13. the F&S Report;



<b>APPENDIX VI    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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14. the material contracts as referred to in the section headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;
15. the service agreements and letters of appointment as referred to in the section headed “Statutory and General Information — D. Further information about our Directors — 1. Director’s service contracts” in Appendix V to this prospectus;
16. the written consents as referred to in the section headed “Statutory and General Information — F. Other information — 7.Consents” in Appendix V to this prospectus;  
and
17. this prospectus.

**VISTAR HOLDINGS LIMITED**  
熒德控股有限公司