

GRAND BRILLIANCE GROUP HOLDINGS LIMITED

君百延集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8372



SHARE OFFER

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator



Guotai Junan Securities (Hong Kong) Limited

Joint Bookrunners and Joint Lead Managers



Guotai Junan Securities (Hong Kong) Limited



Ruibang Securities Limited

IMPORTANT

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

GRAND BRILLIANCE GROUP HOLDINGS LIMITED

君百延集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 168,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares : 151,200,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares : 16,800,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.30 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 each
Stock code : 8372

Sole Sponsor



Sole Global Coordinator



Guotai Junan Securities (Hong Kong) Limited

Joint Bookrunners and Joint Lead Managers



Guotai Junan Securities (Hong Kong) Limited



Ruibang Securities Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of 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 fixed by agreement between the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 22 March 2018. The Offer Price will not be more than HK\$0.35 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, 22 March 2018 or such later date as may be agreed between the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse. In such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandbrilliancegroup.com. The Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and the conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the paragraph headed "Underwriting – Underwriting arrangement and expenses – Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

19 March 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

EXPECTED TIMETABLE

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

Date ^(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Monday,
19 March 2018

Application lists of Public Offer open^(Note 2) 11:45 a.m. on Thursday,
22 March 2018

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on Thursday,
22 March 2018

Latest time to give **electronic application instructions** to

HKSCC^(Note 3) 12:00 noon on Thursday,
22 March 2018

Application lists of Public Offer close^(Note 2) 12:00 noon on Thursday,
22 March 2018

Expected Price Determination Date on or around^(Note 4) Thursday,
22 March 2018

Announcement of (i) the final Offer Price; (ii) indications of the levels of interest in the Placing; (iii) the levels of applications of the Public Offer; (iv) the basis of allotment of Public Offer Shares; (v) the number of Offer Shares reallocated; and (vi) the results of applications in the Public Offer to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandbrilliancegroup.com on or before Wednesday,
28 March 2018

Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at www.grandbrilliancegroup.com and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see the paragraph headed "How to apply for Public Offer Shares – 10. Publication of results" of this prospectus) on or before Wednesday,
28 March 2018

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function on Wednesday,
28 March 2018

EXPECTED TIMETABLE

Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) pursuant to the Public Offer on or before^(Notes 6 to 8) Wednesday, 28 March 2018

Despatch/collection of share certificates and/or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before^(Notes 5 and 7 to 10) Wednesday, 28 March 2018

Dealings in our Shares on GEM expected to commence at 9:00 a.m. on Thursday, 29 March 2018

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 March 2018, the application lists will not open and close on that day. For further details, please see the paragraph headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or around Thursday, 22 March 2018. If our Company, the Sole Global Coordinator, and the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date or such later date as may be agreed between our Company, the Sole Global Coordinator, and the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 28 March 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 29 March 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2018 or any other day as announced by us as the date of despatch/collect of share certificates/refund cheques.

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

EXPECTED TIMETABLE

8. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Form(s) may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the paragraph headed "How to apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies" of this prospectus.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

Share certificates for the Offer Shares 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 as described in the paragraph headed "Underwriting – Underwriting arrangement and expenses – Grounds for termination" of this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto 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” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

OUR BUSINESS MODEL

Overview

We are an established medical device distributor with over 19 years of experience in the medical device market in Hong Kong. As an integral part of our distribution business, we also provide one-stop medical device solutions, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance. To satisfy our customers’ specifications and requirements, as at the Latest Practicable Date, we sourced over 10,000 types of medical devices directly from over 40 suppliers which mostly comprised overseas medical device manufacturers and we supplied these medical devices together with the necessary medical devices solutions to a large number of customers mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong. We believe that our years of experience in the medical device market, our in-depth product knowledge and our relationship with reputable manufacturers of medical devices allow us to offer suitable medical device solutions to meet our customers’ specifications and requirements.

The variety of medical device products we supply to our customers is broadly categorised into four major types, namely: (i) medical consumables such as needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products; (ii) medical equipment such as electric beds and mattresses, stretchers, furniture used in wards, respiratory care products and blood warmers; (iii) medical instruments such as anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery; and (iv) other healthcare products such as hand sanitisers which are ancillary in nature.

We generally enter into transactions with our customers on an order-by-order basis. In some cases, we secure orders with public hospitals for bulk purchase of medical devices through tendering. We determine our sale price based on a “cost-plus” pricing policy, pursuant to which we set target price with different profit margins over the products we distribute. Please refer to the paragraph headed “Business – Sales and marketing – Pricing policy” of this prospectus for further details.

SUMMARY AND HIGHLIGHTS

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to our sales orders obtained through acceptance of quotation amounted to approximately HK\$41.8 million, HK\$41.6 million and HK\$23.9 million, respectively, which accounted for approximately 79.0%, 80.5% and 77.1% of our total revenue while our revenue attributable to our tender contracts amounted to approximately HK\$11.1 million, HK\$10.1 million and HK\$7.1 million which accounted for approximately 21.0%, 19.5% and 22.9% of our total revenue, respectively, during the same periods. Our tender success rate during the same periods was approximately 25.0%, 25.8% and 29.2%, respectively, while our quotation success rate during the same periods was approximately 44.0%, 48.3% and 45.0%, respectively.

The table below sets out our revenue, gross profit and gross profit margin of our products and services for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017:

	For the year ended 31 March								For the seven months ended 31 October							
	2016				2017				2016				2017			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
									<i>(unaudited)</i>							
Medical consumables	27,183	51.4	15,350	56.5	33,578	65.0	17,573	52.3	18,192	62.8	9,433	51.9	22,420	72.4	11,758	52.4
Medical equipment	19,725	37.3	8,608	43.6	13,843	26.8	5,319	38.4	9,103	31.5	3,089	33.9	6,613	21.4	2,974	45.0
Medical instruments	3,825	7.2	2,087	54.6	2,454	4.8	1,386	56.5	907	3.1	427	47.1	876	2.8	425	48.5
Other healthcare products	-	-	-	-	74	0.1	40	54.1	4	0.1	-	-	-	-	-	-
Services	2,143	4.1	2,143	100.0	1,708	3.3	1,708	100.0	736	2.5	736	100.0	1,049	3.4	1,049	100.0
Total	52,876	100.0	28,188	53.3	51,657	100.0	26,026	50.4	28,942	100.0	13,685	47.3	30,958	100.0	16,206	52.3

Our revenue decreased by approximately 2.3% from approximately HK\$52.9 million for the year ended 31 March 2016 to approximately HK\$51.7 million for the year ended 31 March 2017 mainly because of the decrease in revenue generated from our sales of medical equipment and medical instruments. Our revenue increased by approximately 7.0% from approximately HK\$28.9 million for the seven months ended 31 October 2016 to approximately HK\$31.0 million for the seven months ended 31 October 2017 mainly due to the increase in revenue generated from our sales of medical consumables during the period.

We have continuously placed emphasis on product development through our in-house R&D efforts. During the Track Record Period, we utilised far-infrared technology, which helps relieve pain and stress, improve blood circulation and maintain body temperature, to develop a nursing bra and a far-infrared pillow. We also developed a hybrid security system to prevent missing of patients and medical equipment in hospitals or elderly residents in elderly care homes. For further details of our product development, please refer to the paragraph headed "Business – Research and development – Product development" of this prospectus. During the two years ended 31 March 2017 and the seven months ended 31 October 2017, our R&D

SUMMARY AND HIGHLIGHTS

expenditure amounted to approximately HK\$0.5 million, HK\$0.5 million and HK\$0.3 million, respectively. Since product development of our Group was still in the early stage as at the Latest Practicable Date, our Group only generated approximately HK\$75,000 from sales of products developed by us during the Track Record Period.

Our product mix directly impacts our results of operations and financial conditions. As at the Latest Practicable Date, we sourced over 10,000 types of medical devices to a large number of customers mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong. Different types of products that we sourced often carry different unit selling prices and margins and change in the demand of our customers may affect our overall revenue, cost of revenue and margins.

Our gross profit margin decreased from approximately 53.3% for the year ended 31 March 2016 to approximately 50.4% for the year ended 31 March 2017 primarily due to the decrease in the gross profit margin of our medical consumable products and medical equipment products sold. The decrease in the gross profit margin of our sales of medical consumable products for the year ended 31 March 2017 was primarily due to a higher proportion sale of a new model of needleless connectors with a comparatively lower gross profit margin for the year ended 31 March 2017. The gross profit margin of our sales of medical equipment products decreased for the year ended 31 March 2017 primarily due to a higher proportion sale of general electric beds which had a comparatively lower gross profit margin in the year ended 31 March 2017 while a higher proportion of intensive care unit electric beds and electric delivery beds which had a comparatively higher gross profit margin were sold during the year ended 31 March 2016.

Our gross profit margin increased from approximately 47.3% for the seven months ended 31 October 2016 to approximately 52.3% for the seven months ended 31 October 2017 primarily due to the increase in the gross profit margin of our sales of medical consumable products and medical equipment products. The gross profit margin of our sales of medical consumable products increased for the seven months ended 31 October 2017 primarily because a higher proportion of ligation clips, which were one of our medical consumable products and had a comparatively higher profit margin, were sold during the seven months ended 31 October 2017. The gross profit margin of our sales of medical equipment products increased for the seven months ended 31 October 2017 primarily because a higher proportion of spare parts, which were one of our medical equipment products and had a comparatively higher gross profit margin, were sold in the same period.

Our gross profit margins from the provision of services were 100% for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017 as our services were entirely provided by our staff and all related staff costs were recognised as administrative and other operating expenses and no cost of revenue was incurred in our provision of services.

SUMMARY AND HIGHLIGHTS

Suppliers

During the Track Record Period and up to the Latest Practicable Date, we sourced medical devices from over 40 suppliers which mostly comprised overseas medical device manufacturers. We purchase a wide spectrum of medical devices directly from these overseas medical device manufacturers and we believe we have established ourselves as a trusted distributor for these suppliers. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our purchases from our five largest suppliers amounted to approximately HK\$27.4 million, HK\$20.5 million and HK\$13.0 million, respectively, which accounted for approximately 92.2%, 89.1% and 92.7% of our total purchases, respectively. During the same periods, our purchases from our largest supplier amounted to approximately HK\$13.5 million, HK\$7.1 million and HK\$5.4 million, respectively, which accounted for approximately 45.4%, 31.1% and 38.7% of our total purchases, respectively. As at the Latest Practicable Date, we had established a business relationship of over 12 years with four of our five largest suppliers during the Track Record Period.

Customers

As at the Latest Practicable Date, we served over 100 customers in Hong Kong. Public hospitals and private hospitals in Hong Kong constitute our core customer base and accounted for approximately 93.0%, 92.8% and 93.0% of our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to our five largest customers amounted to approximately HK\$27.3 million, HK\$20.9 million and HK\$12.1 million, respectively, which accounted for approximately 51.7%, 40.4% and 39.0% of our total revenue, respectively. During the same periods, our revenue attributable to our largest customer amounted to approximately HK\$8.0 million, HK\$9.1 million and HK\$3.2 million, respectively, which accounted for approximately 15.1%, 17.6% and 10.5% of our total revenue, respectively. As at the Latest Practicable Date, we had established a business relationship of over 16 years with all of our five largest customers during the Track Record Period, all of which are hospitals in Hong Kong.

SUMMARY AND HIGHLIGHTS

The table below sets out our revenue, gross profit and gross profit margin by type of customers for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017:

	For the year ended 31 March						For the seven months ended 31 October									
	2016			2017			2016			2017						
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin				
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%			
						(unaudited)										
Hospitals																
– Public hospitals	25,835	48.9	13,622	52.7	24,513	47.4	12,131	49.5	12,410	42.9	5,992	48.3	14,351	46.4	7,178	50.0
– Private hospitals	23,307	44.1	12,419	53.3	23,434	45.4	11,804	50.4	14,683	50.7	6,735	45.9	14,416	46.6	7,736	53.7
Sub-total	49,142	93.0	26,041	53.0	47,947	92.8	23,935	49.9	27,093	93.6	12,727	47.0	28,767	93.0	14,914	51.8
Private clinics	1,224	2.3	503	41.1	516	1.0	367	71.2	368	1.3	256	69.6	257	0.8	171	66.5
Others ^(Note)	2,510	4.7	1,644	65.5	3,194	6.2	1,724	54.0	1,481	5.1	702	47.4	1,934	6.2	1,121	58.0
Total	52,876	100.0	28,188	53.3	51,657	100.0	26,026	50.4	28,942	100.0	13,685	47.3	30,958	100.0	16,206	52.3

Note: Others included non-profit organisations, universities and individual end-users.

Our revenue generated from our sales to public hospitals and private hospitals remained relatively stable, and accounted for approximately 93.0%, 92.8% and 93.0% of our total revenue, respectively, during the Track Record Period.

Our gross profit margin decreased from approximately 53.3% for the year ended 31 March 2016 to approximately 50.4% for the year ended 31 March 2017 primarily due to the decrease in the gross profit margin of our sales to hospitals. The gross profit margins of our sales to public hospitals and private hospitals decreased for the year ended 31 March 2017, primarily due to a higher proportion of a new model of needleless connectors and general electric beds sold for the year ended 31 March 2017.

Our gross profit margin increased from approximately 47.3% for the seven months ended 31 October 2016 to approximately 52.3% for the seven months ended 31 October 2017, primarily due to the increase in the gross profit margin of our sales to hospitals. The gross profit margins of our sales to public hospitals and private hospitals increased for the seven months ended 31 October 2017, primarily due to a higher proportion of ligation clips and spare parts sold in the same period.

SUMMARY AND HIGHLIGHTS

Relationship between our Group, our customers and our suppliers

Our Directors consider that as a medical device distributor in Hong Kong capable of providing one-stop medical device solutions, we could induce our customers to purchase medical devices directly from us rather than our suppliers because: (a) most of our suppliers of medical devices are overseas manufacturers and have to rely on distributors such as our Group to cover and distribute to markets outside their own countries; (b) we are able to provide our customers with one-stop medical device solutions with various value-added services which may not be readily provided by our suppliers locally; (c) we serve as a bridge between our overseas suppliers of medical devices and our customers on matters in relation to medical devices; and (d) we have developed a close relationship with our customers and therefore we understand our customers' needs. For further details, please refer to the paragraph headed "Business – Value chain, our business model and operation" of this prospectus.

COMPETITIVE LANDSCAPE OF THE MEDICAL DEVICE MARKET IN HONG KONG

The medical device market in Hong Kong is fragmented with hundreds of market players, involving both manufacturers and distributors from Hong Kong and overseas. According to the Frost & Sullivan Report, our Group is a tier II distributor in Hong Kong medical device market, accounting for a market share of approximately 2.5% of the overall market of the tier I, tier II and tier III medical device distributors in 2016. For details, please refer to the section headed "Industry overview" of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to the following competitive strengths: (i) we possess an established reputation in the medical device industry in Hong Kong; (ii) we offer an extensive product portfolio and possess strong sourcing capabilities; (iii) we provide quality products and customised services which placed our Group in a favourable position to provide one-stop medical device solutions in Hong Kong; (iv) we have a broad and diverse customer base and stable relationships with our major customers; (v) we play a key role as a medical device distributor capable of providing one-stop medical device solutions to our customers; (vi) we possess the product know-how and expertise for product development; and (vii) our experienced management has a proven track record in achieving growth in revenue. For further details of our strengths, please refer to the paragraph headed "Business – Our competitive strengths" of this prospectus.

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OUR BUSINESS STRATEGIES

We intend to enhance our market share and become one of the major medical device distributors in Hong Kong by implementing the following strategies: (i) further penetrate the medical device market through enhancing our quality value-added services and sales and marketing activities; (ii) expand our workforce; (iii) selectively pursue opportunities for strategic acquisitions; (iv) enhance our R&D and product development efforts; (v) upgrade our information technology systems; and (vi) maximise our warehouse space, establish our showroom and upgrade the functionality of our office. For further details of our strategies, please refer to the paragraph headed “Business – Our business strategies” of this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The tables below summarised the financial information on our Group during the Track Record Period. The summarised financial data should be read in conjunction with the consolidated financial information in the Accountants’ Report as set out in Appendix I to this prospectus.

Selected items of consolidated statements of comprehensive income

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			<i>(unaudited)</i>	
Revenue	52,876	51,657	28,942	30,958
Cost of revenue	(24,688)	(25,631)	(15,257)	(14,752)
Gross profit	28,188	26,026	13,685	16,206
Profit for the year/period	12,979	11,802	5,818	379

Selected items of consolidated statements of financial position

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets	4,088	3,947	4,930
Current assets	40,191	31,371	35,814
Current liabilities	12,614	4,086	9,012
Net current assets	27,577	27,285	26,802
Net assets	31,665	31,232	31,683

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Our profit for the year slightly decreased by approximately HK\$1.2 million from approximately HK\$13.0 million for the year ended 31 March 2016 to approximately HK\$11.8 million for the year ended 31 March 2017 mainly as a result of the decrease in our revenue. Despite the increase in our revenue by approximately HK\$2.0 million for the seven months ended 31 October 2017, our profit for the period decreased by approximately HK\$5.4 million from approximately HK\$5.8 million for the seven months ended 31 October 2016 to approximately HK\$0.4 million for the seven months ended 31 October 2017 mainly as a result of the non-recurring listing expenses of approximately HK\$7.3 million incurred for the seven months ended 31 October 2017.

Our net current assets slightly decreased from approximately HK\$27.6 million as at 31 March 2016 to approximately HK\$27.3 million as at 31 March 2017. The decrease was primarily due to the decrease in our cash and bank balances by approximately HK\$7.1 million as a result of the settlement of our trade payables with major suppliers in March 2017, partially offset by (i) the decrease in our trade and other payables by approximately HK\$6.7 million; and (ii) the decrease in our tax payable by approximately HK\$1.4 million.

Our net current assets slightly further decreased to approximately HK\$26.8 million as at 31 October 2017. The decrease was primarily due to the decrease in our cash and bank balances by approximately HK\$0.9 million and the increase in our (i) trade and other payables by approximately HK\$3.7 million as a result of the accruals of listing expense; and (ii) tax payable by approximately HK\$1.2 million, partially offset by the increase in our trade and other receivables, deposits and prepayments by approximately HK\$5.3 million as a result of the prepayment made for listing expenses. For details, please refer to the paragraphs headed “Financial information – Liquidity and capital resources” and “Financial information – Description and analysis of selected items of consolidated statements of financial position” of this prospectus.

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Consolidated statements of cash flows

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Operating profit before working capital changes	<u>17,957</u>	<u>15,243</u>	<u>7,806</u>	<u>2,711</u>
Net cash generated from/(used in) operating activities	15,908	4,747	(7,850)	(3,886)
Net cash used in investing activities	(3,901)	(11,646)	(381)	(4,078)
Net cash generated from/(used in) financing activities	<u>240</u>	<u>(247)</u>	<u>(247)</u>	<u>4,052</u>
Net increase/(decrease) in cash and cash equivalents	12,247	(7,146)	(8,478)	(3,912)
Cash and cash equivalents at the beginning of the year/period	<u>4,675</u>	<u>16,922</u>	<u>16,922</u>	<u>9,776</u>
Cash and cash equivalents at the end of the year/period	<u>16,922</u>	<u>9,776</u>	<u>8,444</u>	<u>5,864</u>

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Key financial ratios

The table below sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 March		For the seven months ended 31 October
	2016	2017	2017
	Gross profit margin (%) ^(Note 1)	53.3	50.4
Net profit margin (%) ^(Note 1)	24.5	22.8	1.2
Return on equity (%) ^(Note 1)	41.0	37.8	2.1
Return on total assets (%) ^(Note 1)	29.3	33.4	1.6

	As at 31 March		As at 31 October
	2016	2017	2017
	Current ratio ^(Note 1)	3.2	7.7
Quick ratio ^(Note 1)	2.0	4.3	2.4
Gearing ratio (%) ^(Note 2)	5.4	0.3	3.8

Notes:

1. Please refer to the paragraph headed “Financial Information – Key financial ratios” of this prospectus for the calculation basis of this key financial ratio.
2. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%. Total debt includes amounts due to our Directors and tax payable.

Our return on equity decreased from approximately 41.0% as at 31 March 2016 to approximately 37.8% as at 31 March 2017, primarily due to the decrease in our net profit for the year ended 31 March 2017. Our return on equity further decreased to approximately 2.1% as at 31 October 2017 primarily due to the decrease in our net profit as a result of the recognition of listing expenses for the seven months ended 31 October 2017.

Our return on total assets increased from approximately 29.3% as at 31 March 2016 to approximately 33.4% as at 31 March 2017, primarily due to the decrease in total assets recorded as at 31 March 2017 as a result of the decrease in our cash and bank balances as at 31 March 2017. Such decrease was a result of the settlement of a larger amount of trade payables by our Group in March 2017, compared to that in March 2016. Our return on total assets decreased to approximately 1.6% as at 31 October 2017, primarily reflecting (i) our decreased net profit as a result of the recognition of the listing expenses for the seven months ended 31 October 2017; and (ii) our increased deposits and prepayments associated with our listing expenses.

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Our current ratio increased from approximately 3.2 times as at 31 March 2016 to approximately 7.7 times as at 31 March 2017 and our quick ratio increased from approximately 2.0 times as at 31 March 2016 to approximately 4.3 times as at 31 March 2017, primarily reflecting our decreased trade payables as a result of our Group having made more credited purchase of general electric beds in March 2016 when compared to March 2017.

Our current ratio and quick ratio decreased from approximately 7.7 times and 4.3 times as at 31 March 2017 to approximately 4.0 times and 2.4 times, as at 31 October 2017, respectively, primarily because the increase in our deposits and prepayments associated with our listing expenses was lower than the aggregate effect of the increase in our trade payables, dividend payable and tax payable.

Our gearing ratio was maintained at a very low level as we had a minimal amount of debt for the respective periods.

Please refer to the paragraph headed “Financial information – Key financial ratios” of this prospectus for further information.

SHAREHOLDERS' INFORMATION

Our Controlling Shareholders

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), our Company will be owned as to approximately 69.68% by B&A Success, a company wholly-owned by Ms. Wong, who is our founder, chairman, chief executive officer, executive Director and Controlling Shareholder. For the purpose of the GEM Listing Rules, Ms. Wong and B&A Success will be our Controlling Shareholders. For details on our Controlling Shareholders' shareholding interest in our Company, please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of our Group.

Pre-IPO Investments

Our Company entered into the Infinite Crystal Subscription Agreement with Infinite Crystal and the Akatsuki Subscription Agreement with Akatsuki on 31 July 2017 and 1 August 2017, respectively. Upon completion of the Infinite Crystal Subscription Agreement and the Akatsuki Subscription Agreement on 1 August 2017, our Company was owned as to 88.20% by Ms. Wong, 6.40% by Infinite Crystal and 5.40% by Akatsuki. Infinite Crystal is owned as to approximately 61.11% by Mr. Chiu and approximately 38.89% by Sunstrike Investments Limited, which is ultimately controlled by Mr. Yuan. For details about Mr. Chiu, please refer

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to the paragraphs headed “Directors, senior management and staff – Directors – Non-executive Directors” of this prospectus. Mr. Yuan has extensive experience in the capital market with investments in listed companies in Hong Kong and is a majority shareholder of a number of corporations licensed under the SFO, including a fund management firm in Hong Kong. Akatsuki is a company incorporated in Japan whose shares are traded on the Tokyo Stock Exchange Inc. (stock code: 8737), and is principally engaged in the business of securities and real estate transactions in Japan. Following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), Infinite Crystal and Akatsuki will hold approximately 5.06% and 4.26% of the enlarged issued share capital of our Company, respectively.

For further details, please refer to the paragraph headed “History, Reorganisation and corporate structure – Reorganisation – Pre-IPO Investments” of this prospectus.

STATISTICS OF THE SHARE OFFER

The Share Offer comprises the Public Offer of 16,800,000 Shares (subject to reallocation) and the Placing of 151,200,000 Shares (subject to reallocation and the Offer Size Adjustment Option). For details, please refer to the section headed “Structure and conditions of the Share Offer” of this prospectus.

	Based on the minimum indicative Offer Price of HK\$0.30 per Offer Share	Based on the maximum indicative Offer Price of HK\$0.35 per Offer Share
Market capitalisation upon the Share Offer ^(Note 1)	HK\$240 million	HK\$280 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 2)	HK\$0.08	HK\$0.09

Notes:

1. The calculation of market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets per Shares has been arrived at with the bases and adjustments referred to under the paragraph headed “Unaudited pro forma financial information – A. Unaudited pro forma statement of adjusted consolidated net tangible assets of our Group” in Appendix II to this prospectus.

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DIVIDENDS

Dividends of approximately HK\$16.0 million, HK\$12.5 million and HK\$2.8 million were declared and paid by Solar-Med to its then shareholders, namely Ms. Wong and her mother (i.e. Ms. Ching), out of the distributable profit for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. Substantially all of the dividends payable were paid to Ms. Wong due to her then 99.99% shareholding interest in Solar-Med and all of the dividends payable to Ms. Wong were fully settled by setting off against our Group's amount due from her. The minimal dividends payable to Ms. Ching were either fully paid to her directly in cash or, as instructed by her, released to Ms. Wong and settled by setting off against our Group's amount due from Ms. Wong. A special dividend of HK\$11.2 million was declared on 17 July 2017, of which HK\$10.0 million had been settled in cash as at 31 October 2017 and the remaining HK\$1.2 million had been settled in cash as at 30 November 2017.

We do not intend to determine any expected dividend payout ratio and any dividend to be made is subject to the absolute discretion of our Board, and will be based upon our Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

USE OF PROCEEDS

We estimate that the net proceeds to be received by us from the Share Offer, assuming an Offer Price of HK\$0.325 per Offer Share (being the mid-point of the Offer Price range of HK\$0.30 to HK\$0.35 per Offer Share), after deducting related underwriting fees and estimated expenses in connection with the Share Offer, will be approximately HK\$33.1 million. Our Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- approximately HK\$6.9 million (or approximately 20.9% of the net proceeds from the Share Offer) will be used to further penetrate the medical device market and enhance our market share in the medical device market in Hong Kong by increasing our investments in broadening our service portfolio (including maintenance, medical device leasing, home health nursing and product delivery) and enhancing our sales and marketing activities;
- approximately HK\$10.7 million (or approximately 32.4% of the net proceeds from the Share Offer) will be used to expand our workforce by recruitment of two engineers, one enrolled nurse, one physiotherapist, seven product representatives, two marketing staff, two R&D staff, two information technology technical staff, one warehouse staff, two drivers and two logistics staff, one administration staff and one accounting staff to cope with our business expansion;
- approximately HK\$7.7 million (or approximately 23.1% of the net proceeds from the Share Offer) will be used to selectively pursue opportunities for strategic acquisition in the near future;
- approximately HK\$1.3 million (or approximately 3.9% of the net proceeds from the Share Offer) will be used to enhance our R&D and product development effort;

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- approximately HK\$2.5 million (or approximately 7.5% of the net proceeds from the Share Offer) will be used to upgrade our information technology systems;
- approximately HK\$2.2 million (or approximately 6.7% of the net proceeds from the Share Offer) will be used to maximise our warehouse space, establish our showroom and upgrade the functionality of our office; and
- approximately HK\$1.8 million (or approximately 5.5% of the net proceeds from the Share Offer) will be used for general working capital of our Group.

For details of our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” of this prospectus. Please also refer to the section headed “Future plans and use of proceeds – Reasons for the Listing” of this prospectus for detailed reasons for the Listing.

Our planned recruitment, marketing activities, R&D activities and acquisition of additional fixed assets as set out in the section headed “Future plan and use of proceeds” of this prospectus will be fully financed by the net proceeds from the Share Offer. It is expected that our spending in relation to the additional costs and expenses arising out of these planned activities will mainly spread across over a two-year period from the Listing Date and up to 31 March 2020 in accordance with the timing of application of net proceeds from the Share Offer as set out in this prospectus. The additional costs and expenses to be incurred for these planned activities after 31 March 2020 will be financed by our internal resources. Meanwhile, our Group will continue our operations in substantially the same manner as our Group had been operating during the Track Record Period and our Directors believe that our business will generate sufficient revenue to cover such additional costs and expenses in the future. Although our Directors do not expect that revenue will be generated from such activities immediately after implementation of such planned activities, our Directors believe that these activities will facilitate our business development and help generate revenue in the long run. As such, our Directors do not expect that such additional costs and expenses to be incurred will have a material adverse impact on the future performance of our Group in the long run.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued our role as an established medical device distributor with a broad product range as we further developed our business to provide medical device solutions in Hong Kong. We continued to receive requests for quotation and submit our offers to tenders arranged by the Hospital Authority on behalf of public hospitals and certain public hospitals in Hong Kong. During this period, there were two tender contracts awarded to our Group with an aggregate contract sum of approximately HK\$0.4 million and approximately 1,000 quotations provided by our Group and accepted by our customers. From November 2017 to January 2018, to further promote the use of airway clearance machines for our medical device leasing services, we provided an airway clearance machine free of charge to an elderly care home in Kwai Chung, a public hospital in Cheung Sha Wan, a public hospital in Yuen Long and a public hospital in Tuen Mun respectively for trial use purpose. However, such elderly care home or hospitals might not start leasing these airway clearance machines from us after the end of the trial use

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period. As at the Latest Practicable Date, we owned 11 airway clearance machines, of which two were being leased, and two were being used for trial use purpose. In November 2017, we further expanded our product portfolio with a pharmacy automation system and an automated logistics system for transporting medication, laboratory specimens and necessities for patients in hospitals through entering into a distribution agreement with an international automation solutions provider. Furthermore, in January 2018, we were granted a utility model patent by the State Intellectual Property Office of the PRC in respect of our nursing bra and a patent by the United States Patent and Trademark Office for our security system. Based on the unaudited management accounts of our Group, our average monthly revenue for the three months ended 31 January 2018 remained relatively stable as compared to that for the seven months ended 31 October 2017, and our average monthly gross profit and gross profit margin for the same period increased primarily because a higher proportion of spare parts, ligation clips and biopsy needles, which had a comparatively higher gross profit margin, were sold in the same period.

As far as our Directors are aware, there had been no other changes in the general economic or market conditions or in the medical device market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 October 2017 and up to the date of this prospectus. Save and except for the listing expenses as disclosed below, our Group did not have any significant non-recurrent items in our consolidated statements of comprehensive income subsequent to the Track Record Period.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK\$0.325 per Share, being the mid-point of our indicative Offer Price range for the Share Offer stated in this prospectus, the total listing expenses are estimated to be approximately HK\$21.5 million, of which approximately HK\$7.3 million (of which approximately HK\$0.1 million was funded by the proceeds from the Pre-IPO Investments) was recognised as listing expenses in our consolidated statement of comprehensive income for the seven months ended 31 October 2017 and approximately HK\$6.8 million will be recognised as listing expenses for the five months ending 31 March 2018. The balance of approximately HK\$7.4 million is expected to be recognised as a deduction in equity upon Listing.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of comprehensive income has caused a material adverse change in the financial or trading position or prospect of our Group since 31 October 2017 (being the date to which the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for the year ending 31 March 2018 will be adversely affected by the non-recurring listing expenses described above. The final amount of these expenses to be recognised to our consolidated statements of comprehensive income is subject to adjustment based on audit and the changes

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in variables and assumptions. As a result of these expenses, our net profit for the year ending 31 March 2018 will decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2018 which may not be comparable to the financial performance of our Group in the past.

Our Directors have confirmed that, after performing all the due diligence work which they consider appropriate, there is no event which could materially affect the information shown in our financial information included in the Accountants' Report set forth in Appendix I to this prospectus since 31 October 2017 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects save as disclosed above.

RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group's control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate, and details of which are set out in the section headed "Risk factors" of this prospectus. Potential investors are advised to read that section carefully before making any investment decision in the Share Offer. Some of our major risks include:

- our business and operation are subject to our business relationship with our suppliers, our suppliers' ability to duly perform their obligations to supply products to us, the exclusive or non-exclusive distribution rights to sell medical devices granted by our suppliers and the lack of long-term agreements with our suppliers;
- any incident that erodes customers' confidence in our products and services would tarnish our reputation which could materially and adversely affect our business, financial condition or results of operations; and
- as some of our sales orders obtained from public hospitals were made under tender contracts awarded through tender, any failure of our Group to secure tender contracts with public hospitals would affect our operations and financial results and any inaccurate cost estimation of our Group in determining the tender price would affect our profitability.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Akatsuki”	Akatsuki Corp., one of the Pre-IPO Investors and a company listed on the Tokyo Stock Exchange, Inc. (stock code: 8737) which principally carries on the business of securities and real estate transactions in Japan. Akatsuki is an Independent Third Party
“Akatsuki Subscription Agreement”	the subscription agreement dated 1 August 2017 entered into among our Company, Akatsuki and Ms. Wong as guarantor, which Akatsuki subscribed such number of Shares, representing 5.40% of the entire issued share capital of our Company immediately before completion of the Capitalisation Issue and the Share Offer at a consideration of HK\$6,500,000, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure – Reorganisation – Pre-IPO Investments” of this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them, to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 1 March 2018 to take effect on the Listing Date, a summary of which is set out in Appendix III 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
“A&A Brilliance”	A&A Brilliance Limited, a company incorporated in the BVI with limited liability on 4 July 2017 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Board” or “Board of Directors”	the board of Directors
“Business Day(s)” or “working day(s)”	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“B&A Success”	B&A Success Limited, a company incorporated in the BVI with limited liability on 4 July 2017 and wholly-owned by Ms. Wong, and one of our Controlling Shareholders
“Capitalisation Issue”	the issue of 631,999,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and general information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 1 March 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules

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“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, modified and supplemented from time to time
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, modified and and supplemented from time to time
“Company”, or “our”, “our Company”, “we” or “us”	Grand Brilliance Group Holdings Limited (君百延集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 5 July 2017
“Compliance Adviser”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	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 case of our Company, our Controlling Shareholders are Ms. Wong and B&A Success
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules as amended, modified and supplemented from time to time

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 1 March 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particular of which are set out in the paragraph headed “Statutory and general information – D. Other information – 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 1 March 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), in respect of certain non-competition undertakings, particulars of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-competition” of this prospectus
“Department of Health”	the Department of Health of the HK Government
“Director(s)”	the director(s) of our Company
“Dr. Miu”	Dr. Miu Yin Shun Andrew (苗延舜醫生), our non-executive Director and the spouse of Ms. Wong
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Euro”	Euro, the lawful currency used by the Institutions of the European Union
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agency
“Frost & Sullivan Report”	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industries in which our Group operates
“GBP”	Great Britain Pound, the lawful currency of the United Kingdom

DEFINITIONS

“GDP”	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, modified and supplemented from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HK Government”	the government of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hospital Authority”	the statutory body established under the Hospital Authority Ordinance (Chapter 113 of the Laws of Hong Kong)

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company and its connected persons
“Infinite Crystal”	Infinite Crystal Limited, one of the Pre-IPO Investors and a company incorporated in the BVI with limited liability on 4 July 2017 and which is owned as to approximately 61.11% by Mr. Chiu and approximately 38.89% by Sunstrike Investments Limited. Sunstrike Investments Limited is a company incorporated in the BVI with limited liability on 20 April 2017 and is indirectly owned as to approximately 91.33% by Mr. Yuan and approximately 8.67% by Ms. Liu
“Infinite Crystal Subscription Agreement”	the subscription agreement dated 31 July 2017 entered into among our Company, Infinite Crystal and Ms. Wong as guarantor, which Infinite Crystal subscribed such number of Shares, representing 6.40% of the entire issued share capital of our Company immediately before completion of the Capitalisation Issue and the Share Offer at a consideration of HK\$7,632,000, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure – Reorganisation – Pre-IPO Investments” of this prospectus
“Intellectual Property Department”	the Intellectual Property Department of the HK Government
“IRD”	the Inland Revenue Department of the HK Government
“Joint Bookrunners” or “Joint Lead Managers”	Guotai Junan Securities and Ruibang Securities
“Latest Practicable Date”	12 March 2018, being the latest practicable date prior to the publication of this prospectus for the purpose of ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Martin W.H. Wong, barrister-at-law in Hong Kong, who is the legal counsel of our Company and an Independent Third Party

DEFINITIONS

“Listing”	listing of our Shares on GEM
“Listing Date”	the date, expected to be on or about 29 March 2018, on which dealings in our Shares commence on GEM
“Listing Department”	the listing department of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the Main Board of the Stock Exchange
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 1 March 2018 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“MPF scheme”	mandatory provident fund scheme
“Mr. Chiu”	Mr. Chiu Man Wai (趙文煒先生), one of our non-executive Directors and who is interested in approximately 61.11% of the issued shares of Infinite Crystal
“Mr. Lee”	Mr. Lee Chun Sing (李春成先生), one of the members of our senior management who held the entire issued share capital of Sonne International in trust for Ms. Wong before the Reorganisation
“Mr. Yuan”	Mr. Yuan Xulin (原旭霖先生), an Independent Third Party who indirectly owns approximately 91.33% interest in Sunstrike Investments Limited and the spouse of Ms. Liu
“Ms. Ching”	Ms. Ching Kit Fong (程潔芳女士), the mother of Ms. Wong

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“Ms. Liu”	Ms. Liu Huijun (柳慧軍女士), an Independent Third Party who indirectly owns approximately 8.67% interest in Sunstrike Investments Limited and the spouse of Mr. Yuan
“Ms. Wong”	Ms. Wong Bik Kwan Bikie (黃碧君女士), our chairman, chief executive officer, executive Director and Controlling Shareholder and the spouse of Dr. Miu
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final offer price per Offer Share in HK\$ (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.30 per Offer Share, to be agreed between us, the Sole Global Coordinator, and the Joint Bookrunners and the Joint Lead Managers (acting for themselves and on behalf of the Underwriters) on the Price Determination Date
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), to require our Company to allot and issue up to an aggregate of 25,200,000 additional Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, at the Offer Price, particulars of which are set out in the paragraph headed “Structure and conditions of the Share Offer – Offer Size Adjustment Option” of this prospectus
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Offer Price as described in the section headed “Structure and conditions of the Share Offer” of this prospectus

DEFINITIONS

“Placing Shares”	151,200,000 Offer Shares initially being offered by our Company for subscription under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Placing Underwriters on or about the Price Determination Date
“PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “PRC” do not include Hong Kong, Macau and Taiwan
“Pre-IPO Investments”	the transactions contemplated under the Pre-IPO Subscription Agreements as further described in the paragraph headed “History, Reorganisation and corporate structure – Reorganisation – Pre-IPO Investments” of this prospectus
“Pre-IPO Investors”	Infinite Crystal and Akatsuki
“Pre-IPO Subscription Agreements”	the Infinite Crystal Subscription Agreement and the Akatsuki Subscription Agreement
“Pre-IPO Subscription Shares”	Shares allotted and issued to the Pre-IPO Investors pursuant to the Pre-IPO Subscription Agreements
“Prevention of Bribery Ordinance”	Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price

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“Price Determination Date”	the date, expected to be on or around 22 March 2018, or such other date as may be agreed between our Company, the Sole Global Coordinator, and the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), on which the Offer Price is determined by entering into the Price Determination Agreement
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 16,800,000 Offer Shares initially being offered for subscription under the Public Offer, subject to re-allocation, particulars of which are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer dated 16 March 2018 entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Public Offer Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation arrangement implemented by our Group in preparation for the Listing, particulars of which are set out in the paragraph headed “History, Reorganisation and corporate structure – Reorganisation” of this prospectus
“Ruibang Securities”	Ruibang Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO, acting as one of the joint bookrunners and one of the joint lead managers under the Share Offer

DEFINITIONS

“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, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 1 March 2018, the principal terms of which are summarised in the paragraph headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Solar-Med”	Solar-Med Limited (鴻日醫療有限公司) (formerly known as Lead Kingdom Limited (領樂有限公司)), a company incorporated in Hong Kong with limited liability on 15 October 1997 and an indirect wholly-owned subsidiary of our Company
“Sole Global Coordinator” or “Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, acting as the sole global coordinator, one of the joint bookrunners and one of the joint lead managers under the Share Offer
“Sole Sponsor”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor of the Listing, and an Independent Third Party
“Sonne UK”	Sonne (UK) Limited, a company incorporated in the United Kingdom with limited liability on 26 August 2016 and an indirect wholly-owned subsidiary of our Company

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“Sonne International”	Sonne International Company Limited (向日國際有限公司) (formerly known as Prime Union Enterprises Limited (鴻匯企業有限公司)), a company incorporated in Hong Kong with limited liability on 11 March 2009 and an indirect wholly-owned subsidiary of our Company
“Sonne Technology”	Sonne Technology International Limited (向日科技國際有限公司) (formerly known as Sonne Technology International Limited (日向科技國際有限公司)), a company incorporated in Hong Kong with limited liability on 4 July 2016 and an indirect wholly-owned subsidiary of our Company
“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
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“Telecommunications Ordinance”	Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Track Record Period”	the two financial years ended 31 March 2017 and the seven months ended 31 October 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters, particulars of which are set out in the section headed “Underwriting” of this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.K.” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, modified and supplemented from time to time

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“m ³ ”	cubic metre(s)
“mm”	millimetre(s)
“sq.ft.”	square feet
“sq.m.” or “m ² ”	square metre(s)
“%”	per cent.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume that none of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme is exercised.

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

GLOSSARY OF TECHNICAL TERMS

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

“anterior cervical retractor system”	system of devices used in anterior cervical surgeries to provide operative versatility
“biopsy needle”	a medical consumable used for taking soft tissue samples from human bodies for testing
“CAGR”	compounded annual growth rate
“CE certification”	Conformité Européene, a mandatory certification of the European Union certifying that a product has met the requirements set forth in the New Approach to Technical Harmonisation and Standards. Manufacturers in the European Union and abroad must meet CE marking requirements and obtain the CE certification where applicable in order to market their products in Europe
“Class I”	the class of medical devices of the lowest risk level in accordance with the classification system under the MDACS, such as electric beds and stretchers
“Class II”	the class of medical devices of low to moderate risk level in accordance with the classification system under the MDACS, such as biopsy needles and suction tubings
“Class III”	the class of medical devices of moderate to high risk level in accordance with the classification system under the MDACS
“Class IV”	the class of medical devices of the highest risk level in accordance with the classification system under the MDACS, such as ligation clips
“EAS”	electronic article surveillance technology, a technology under which an article affixed with security labels responds to electromagnetic fields generated by a transmitter and the response signal is received by an antenna thereby triggering an alarm

GLOSSARY OF TECHNICAL TERMS

“ex-works”	an arrangement in which the seller is required to make goods ready for pickup at its place of business, and the buyer is responsible for all freight and delivery costs
“far-infrared”	electromagnetic radiation with a wavelength in the range of three to 100 micrometres transferring energy purely in the form of heat which can be perceived by the thermoreceptors in human skin as radiant heat
“free-into-store”	a pricing method in which the seller is responsible for the costs of delivery into the buyer’s site
“Global Harmonisation Task Force”	a voluntary consortium founded by the regulatory authorities and industry representatives of Australia, Canada, Japan, the European Union, and the U.S., to harmonise the standards and principles of regulating medical devices
“hospital clusters”	42 public hospitals and institutions, 48 specialist out-patient clinics and 73 general out-patient clinics in Hong Kong managed by Hospital Authority as at 31 December 2017, which are organised according to their geographical locations under seven hospital clusters, namely Hong Kong East Cluster, Hong Kong West Cluster, Kowloon Central Cluster, Kowloon East Cluster, Kowloon West Cluster, New Territories East Cluster and New Territories West Cluster
“laparoscopic instrument”	a medical instrument used in a minimally invasive surgery, such as graspers and scissors
“ligation clip”	a medical consumable made from stainless steel, titanium, polymer, or an absorbable material, used in a surgery for tying blood vessels or tissue bundles

GLOSSARY OF TECHNICAL TERMS

“local responsible person” or “List of Local Responsible Persons”	a company or a natural or legal person with business registration in Hong Kong admitted by the Department of Health under the MDACS, whose obligations are set out in the paragraph headed “Business – Value chain, our business model and operation – Our business model – We serve as a bridge between our overseas suppliers of medical devices and our customers on matters relating to medical devices” of this prospectus, and the “List of Local Responsible Persons” refers to a list maintained by the MDCO specifying the local responsible persons and the make of the medical devices listed under the MDACS
“MDACS”	Medical Device Administrative Control System, a system launched by the HK Government to raise public awareness on the safe use of medical devices, featuring (i) a listing system for medical devices, under which manufacturers and importers of medical devices could voluntarily list their medical devices with the Department of Health; and (ii) an adverse incident reporting system, through which the manufacturers, importers, users, and the general public could report adverse incidents to the Department of Health for evaluation to reduce the likelihood of, or to prevent repetition of adverse incidents, or alleviate consequences of such repetition
“MDCO”	Medical Device Control Office, an office under the Department of Health which is responsible for administering the MDACS
“medical device”	a device, which in the context of our Group, refers to medical consumable, medical equipment and medical instrument, comprising any instrument, apparatus, appliance, material or other article, excluding drugs, used for human beings for diagnosis, prevention, treatment, monitoring of diseases or injuries; or for rehabilitation purposes; or for the purposes of investigation, replacement or modification of body structure or function. In addition, it includes devices used for examination of human specimens for the purposes of diagnostic, monitoring and compatibility in the forms of reagents, calibrators, control materials, specimen receptacles etc. which are categorised under in vitro diagnostic medical devices

GLOSSARY OF TECHNICAL TERMS

“minimally invasive surgery”	surgery adopting a procedure which produces minimal damage of body tissue and does not involve entering the body through cutting surgical incisions into the skin within an operative procedure and the closure with sutures
“needleless connector”	a medical consumable used for connecting intravenous catheters, intravenous administration sets and syringes without the use of needles
“neurosurgery”	surgery performed on the nervous system, especially the brain and spinal cord
“R&D”	research and development
“RFID”	radio frequency identification technology, a technology that uses radio waves to read and capture information stored on a tag attached to an object
“saleable area”	floor area exclusively allocated to a property unit, excluding common areas such as staircase, lift shafts, lobbies and communal toilets (if any)
“suction liner”	a liner which is a medical consumable used in suction of body fluids or secretions in surgeries
“suction tubing”	a tubing which is a medical consumable used in suction of body fluids or secretions in surgeries

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions or the negative use of such words are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Hong Kong in general.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Summary and highlights”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds” of this prospectus.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s 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 developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Share Offer. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investments in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Our business and operation are subject to our business relationship with our suppliers, our suppliers' ability to duly perform their obligations to supply products to us, the exclusive or non-exclusive distribution rights to sell medical devices granted by our suppliers and the lack of long-term agreements with our suppliers

Our suppliers play a vital role in our business. We sourced all of our medical devices for sale to our customers from our suppliers during the Track Record Period. As such, we depend significantly on the business relationship with our suppliers and any deterioration of such relationship would affect our operations and financial results. Please refer to the paragraph headed "Business – Our suppliers" of this prospectus for further details. Our five largest suppliers accounted for approximately 92.2%, 89.1% and 92.7% of our total purchases for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively.

During the Track Record Period, we had entered into distribution agreements with some of our suppliers who granted us the exclusive or non-exclusive distribution rights to sell medical devices. We generally do not enter into long-term agreements with our suppliers. Our distribution agreements with our major suppliers have a term of one year to three years in general and some of these agreements are automatically renewed upon expiration. Our suppliers may at their discretion, after the expiry of the distribution agreements, reduce or cease supply of products to us. There is no assurance that we will be able to renew the distribution agreements with our suppliers on mutually acceptable terms or at all. If we fail to renew our distribution agreements with any of them or to increase the number of new suppliers, our business, financial condition and results of operations may be materially and adversely affected. Even if our suppliers will continue to enter into distribution agreements with us, there is no assurance that they will not change their existing sales or marketing strategy and will not terminate the distribution rights. Hence, for the products we are granted the exclusive distribution rights, there is no assurance that they will not terminate the exclusive distribution rights and appoint other distributors which may compete with us in the market or decide to distribute the products under the agreements themselves. For the products we distributed during the Track Record Period which were subject to non-exclusive distribution agreements,

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the suppliers concerned may appoint other distributors to distribute the same products which we are selling or terminate the non-exclusive distribution rights. Our revenue from sales of these products may be adversely affected. Consequently, our business, financial condition and results of operations may also be adversely affected.

Furthermore, we are subject to certain purchase targets by some suppliers under some of the distribution agreements, failing which those suppliers are entitled to terminate those agreements. If any of our suppliers terminates its business relationship with us or if there were unfavourable changes to our current business arrangement with our suppliers, we may not be able to locate suitable alternative suppliers in a timely manner to supply medical devices with comparable quality and on terms and prices better or equivalent to the current arrangements.

During the Track Record Period, our major suppliers offered to us a credit term ranging between 30 days and 90 days from the date of invoice. There is no assurance that we will be able to secure from new suppliers a credit term similar to the current arrangements or at all in the event that we enter into distribution agreements with new suppliers or any of our suppliers terminates its business relationship with us in the future. Any of the above may adversely affect our business, liquidity, financial condition and results of operations.

Any incident that erodes customers' confidence in our products and services would tarnish our reputation which could materially and adversely affect our business, financial condition or results of operations

Any incident that erodes customers' confidence in or affinity of our products or services, whether or not justified, could significantly reduce their respective values and damage our business reputation. For instance, any negative media coverage, whether or not accurate, over the quality, authenticity and safety of the products we distribute may significantly tarnish our reputation. We cannot guarantee that such incident will not occur in the future. Any occurrence of product liability-related matters, even if we are not directly involved, would adversely affect customers' confidence as a whole. If our customers perceive or experience decrease in the quality of our products or services, or in any way believe that we fail to deliver a consistently positive experience, our business, financial condition or results of operations may be affected in a materially adverse manner.

As some of our sales orders obtained from public hospitals were made under tender contracts awarded through tender, any failure of our Group to secure tender contracts with public hospitals would affect our operations and financial results and any inaccurate cost estimation of our Group in determining the tender price would affect our profitability

During the Track Record Period, some of our sales orders obtained from public hospitals were made under tender contracts awarded through tender. Our revenue derived from these tender contracts represented approximately 21.0%, 19.5% and 22.9% of our total revenue, respectively, and approximately 42.9%, 41.3% and 49.6% of our total revenue from sales to public hospitals for the two years ended 31 March 2017 and the seven months ended 31

RISK FACTORS

October 2017. Such tender contracts are not recurring in nature. The contract period for such tender contracts generally ranges from around 12 months to 36 months. We generally submit new tenders or bid for new contracts from time to time and there is a risk that we may not succeed in tendering for new projects upon the expiry of our existing contracts. Moreover, there is no assurance that the terms and conditions of the new tender contracts would be comparable to the existing tender contracts or our tenders would be selected by customers. In the competitive tendering process, we may have to offer more favourable terms to our customers or our service charges in order to increase the competitiveness of our tenders. If we are unable to reduce our costs and maintain our competitiveness, our results of operations would be adversely affected. Moreover, there is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our business operations, financial condition and results of operations may be adversely affected.

Under the tendering process, the tender price of medical device products we quote varies and depends primarily on, among other things, procurement costs as quoted to us by our suppliers and transportation and delivery costs incurred by us, the type of products, the place of origin of the product brand, the volume of orders, the timing of product delivery, our Group's expected margins and general market conditions. There is no assurance that tenders submitted by us will not contain any inaccurate estimation. Inaccurate cost estimation in the tendering process may result from our failure to consider factors such as procurement costs, timing and delivery of the products, variations to the product requirements instructed by customers, stringent technical requirements, threatened claims and material disputes with suppliers, accidents, changes in the HK Government's policies and other factors which we may not be able to foresee during the tendering (such as industrial actions or strikes which may result in higher transportation costs). As such, if we are unable to accurately estimate our costs or pass on all or part of any increase in our costs to our customers, our results of operations may be materially and adversely affected.

Our business may be materially affected by the availability of warehouse facilities and the related rental expenses

As at the Latest Practicable Date, our Group rented all the warehouse facilities we occupied for the storage of our products sourced from our suppliers and we did not own any warehouse facilities. The rental expenses for our warehouse facilities amounted to approximately HK\$1.4 million, HK\$1.7 million and HK\$1.0 million for the two years ended 31 March 2017 and the seven months ended 31 October 2017 respectively, representing approximately 2.7%, 3.3% and 3.2% of our revenue for such periods. The tenancy agreements for the warehouse facilities we currently occupy are for a fixed duration. It is uncertain whether these tenancy agreements can be renewed at all upon expiry or on terms acceptable to us. Even if our Group is able to renew or extend the tenancies, the rental expenses may increase significantly and any increase in rental expenses will increase our costs of operation and may therefore adversely affect our results of operation and financial position if our Group is unable to pass on the increased costs to our customers. In addition, the landlords of the warehouse facilities may exercise their right of early termination to terminate the tenancies in accordance with the terms of the tenancy agreements. In such cases, we may be unable to find suitable locations to relocate our warehouse facilities in a timely manner and on commercially acceptable terms, or at all, which could result in temporary disruption to our operation and loss of business due to the decreased warehousing and storage space of our Group.

RISK FACTORS

Our operation is subject to transportation services rendered by third parties

Our Group relies on transportation services providers for delivery of products to our customers. Our timely delivery depends on, among others, the service quality of our transportation services providers and their ability to fulfil their obligations in accordance with the terms of the service contracts. Any failure to provide on-time delivery may have a material adverse impact on our business operation and our reputation, as well as expose us to potential contractual claims. In such event, we may not be able to seek full recourse against the transportation services providers in default under the terms of the service contracts or enforce in full any judgement obtained. Any contractual disputes for material breaches by our transportation services providers, which may arise in the future, may severely affect our business operation and divert our management attention and resources.

The successful implementation of our product development is subject to significant business, economic and competitive uncertainties

We have continuously placed emphasis on product development principally through our in-house R&D efforts. During the two years ended 31 March 2017 and the seven months ended 31 October 2017, our R&D expenditure amounted to approximately HK\$0.5 million, HK\$0.5 million and HK\$0.3 million, respectively, which accounted for approximately 0.9%, 1.0% and 0.9% of our total revenue, respectively. Further details of our R&D efforts are set out in the paragraph headed “Business – Research and development” of this prospectus. However, the successful implementation of our product development is subject to significant business, economic and competitive uncertainties, including product development risks, the availability of funds, competition and regulation, and may be re-evaluated from time to time based on current regulations, government policies and the continuing growth of the medical device market in Hong Kong. The actual timing of the introduction of each of our future products to the market could vary significantly from our current estimates due to a number of factors, many of which are outside our control, including delays, difficulties and failures in the R&D process, and delays in achieving manufacturing or marketing arrangements sufficient to commercialise our future products. There is no assurance that we can complete our research projects within the anticipated timeframe, and that the results of such R&D projects will lead to commercial production of any products and there may be a lack of market demand for such products.

We may not be able to efficiently manage our inventory risks

It is our policy to source medical equipment and instruments from our suppliers on a back-to-back basis after our customers’ orders are confirmed. For medical consumables, we usually maintain a reasonable level of inventory of at least three months’ supply of products to meet our customers’ demand based on the record of historical orders made by our customers and sales projection derived from customers’ preferences and market trend. Our average inventory turnover days were 168 days, 202 days and 201 days during the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. There is no assurance that our customers will not cancel orders with us and if it happens, we may not be able to resell those products. Moreover, the quantities of products set out in a tender contract only serve as estimates given for guidance only. The actual requirement may be more or less than the estimated figure stated in the tender contract and we are required to accept any increase or

RISK FACTORS

decrease by 30% to 50% of the total contract value. As such, demand for products may change significantly and our customers may not order products in the quantities that we expect. As we plan to continue expanding our product offerings, it could be more challenging for us to manage our inventory effectively. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. Any of the above may materially and adversely affect our results of operations and financial condition.

Our cash flows and financial position could be materially and adversely affected if we fail to generate sufficient cash from our business operation or raise funds through external equity or debt financing to meet our working capital requirements

As a medical device distributor, we need sufficient working capital to finance our operating costs and expenses, including payment to suppliers for goods purchased, staff costs, transportation cost, rental and management fee and other operating expenses. Moreover, as we plan to expand our procurement network and secure distributorship with new suppliers in the near future, we may not be able to secure from new suppliers a credit term similar to the current arrangements or at all. Based on our Group's cash and bank balances of approximately HK\$8.9 million as at 31 October 2017 and unutilised banking facility of approximately HK\$2.9 million as at 31 January 2018, we may not be able to secure sufficient financing to expand our business. There is no assurance that we are able to reserve sufficient working capital to meet any significant cash outflow for purpose of our business operation. If we fail to generate sufficient cash from our business operation or raise funds through external equity or debt financing to meet our working capital requirements, our cash flows and financial position could be materially and adversely affected.

We rely on our key management personnel to maintain our business relationships with existing suppliers and customers, and to identify and secure new businesses

Our continual success is substantially dependent on the contribution and dedication of our key management personnel. Our executive Directors possess extensive knowledge and insights of the industry and market development. In particular, Ms. Wong, our founder, chairman, chief executive officer, executive Director and Controlling Shareholder, has 25 years of experience in the medical device market. Since our Group's establishment, our management team has built amicable business relationships with our suppliers and customers and maintained our Group's reputation. Moreover, we rely on Mr. Lau Wai Man, our assistant marketing and project manager to provide technical support for our product development. We also rely on our experienced sales team to maintain customers' relationship, solicit business opportunities, provide technical support and training services and after-sales services for our customers. If any of the above key management and sales personnel resigns or terminates the employment relationship with us, we may not be able to recruit new management members with the relevant industry experience and knowledge in a timely manner or at all. In such event, our Group may not be able to maintain our business relationships with the existing suppliers and customers or have enough technical support for our product development which may in turn cause a material adverse impact on our ability to continue our success in the industry.

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Our business and operation are susceptible to product liability claims and any product liability claims or safety-related regulatory actions could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operations

As we are not involved in the manufacturing of the products we sell, we do not have control over their quality during the manufacturing process. The sale of medical devices involves inherent risks of personal injury to patients, which may result from tampering by unauthorised third parties, product contamination or degeneration during the production, storage or transportation processes. We cannot guarantee that our suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality control measures in such processes before the supply of products to us. Such product quality issues may cause illness to the patients and users of our products. Any dispute over the attribution of product liability that may arise would divert our resources in defending legal proceedings and efforts in our business operations, which may adversely affect our results of operations. Furthermore, any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. If the product liability claims were successful, we may be required to pay substantial damages which may not be covered by the product liability insurance maintained by us. Other than our product liability insurance policies, we have no specific measures in place to mitigate any potential liabilities we may face from third parties. In addition, we may not be able to purchase or maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Future liability claims could be excluded from or exceed the coverage limits of our policies.

We recorded net cash outflows from operating activities for the seven months ended 31 October 2016 and the seven months ended 31 October 2017, and we cannot assure that this will not occur in the future

We recorded net cash outflow from operating activities of approximately HK\$7.9 million for the seven months ended 31 October 2016 which was mainly attributable to the increase in trade receivables due to the increase in our sales of medical consumables during the period and the outstanding balances were yet to be settled as at 31 October 2016. We also recorded net cash outflow from operating activities of approximately HK\$3.9 million for the seven months ended 31 October 2017. Such net cash outflow was mainly attributable to the increase in prepayments for the listing expense which is non-recurring. We cannot assure you that we will be able to match the timing and amounts of our cash flows with the timing and amounts of our payment obligations and other cash outflows, and hence there is no assurance that we will not experience any significant cash outflow.

During the Track Record Period, we mainly relied on the cash flow generated from our operations to meet our working capital and other liquidity requirements. Please refer to the paragraph headed “Financial information – Liquidity and capital resources” of this prospectus for further details. Net operating cash outflow requires our Group to obtain sufficient external financing to meet our financing needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation

We may utilise or own similar technology and product designs for the products developed by us for which we may claim intellectual property rights over such technology and product design. We may be subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could subject us to substantial monetary liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the production and sale of products which could materially and adversely harm our business and reputation.

Unauthorised use of our intellectual property rights by third parties may adversely affect our reputation and business. Legal actions to enforce our intellectual property rights may involve significant costs and may divert our resources

Unauthorised use of our intellectual property rights by third parties may adversely affect our business and reputation, including the perceived quality and reliability of our products. We rely on trademark law and agreements with our distributors to protect the value of our intellectual property rights. As at the Latest Practicable Date, we had registered four trademarks in Hong Kong and one trademark in the European Union in respect of our healthcare products utilising far-infrared technology and the security system designed for hospitals and elderly care homes. We had registered two patents in Hong Kong and a patent in the United States in respect of our security system and a utility model patent in the PRC in respect of our nursing bra. Despite our precautions, we may be unable to prevent unauthorised use of our intellectual property rights by third parties. In certain circumstances, litigation may be necessary to protect our intellectual property rights and there is no guarantee that we will be successful in prosecuting these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business. Furthermore, the validity, enforceability and scope of protection of our trademark registered in the European Union could be uncertain after the UK's exit from the European Union as it will depend on the outcome of negotiations which were yet to be concluded as at the Latest Practicable Date. There is no assurance that such trademark and protection can be maintained in the future.

Failures of our information technology system could interrupt our operations and adversely affect our business operation

We rely on our existing information technology system to manage our purchases from suppliers and sales to customers, monitor and control our inventory level, and review and set our business targets and objectives. Any damage or failure of our information technology system may result in loss of important information about sales orders from customers or distribution arrangements with suppliers, and we may not be able to recover such information. As a result, our business, operation and reputation may be adversely affected.

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We are subject to credit risk in respect of our trade receivables

We offer credit periods to some of our major customers, generally up to 30 clear working days from acceptance, varying with the credit status of the customers. As at 31 March 2016 and 2017 and 31 October 2017, we recorded trade receivables, after provision for impairment, of approximately HK\$6.4 million, HK\$6.1 million and HK\$7.7 million, respectively, which our trade receivables turnover days were 58 days, 44 days and 48 days, for the same periods, respectively. There is no guarantee that all customers will settle payment in full as it falls due. Our current evaluation of the credit status of our customers and credit control policies may not be adequate to safeguard against material credit risks. Our financial position may be materially and adversely affected if any customer delays or fails to pay the amount due. In addition, there may be an adverse impact on our operation as it diverts our management resources, time and attention to pursue any unsettled invoices.

If we fail to maintain an effective quality assurance and control system, our business could be materially and adversely affected

We place great emphasis on product quality and adhere to stringent quality assurance and control measures. Please see the section headed “Business – Quality control” of this prospectus for further information. Failure to maintain an effective quality assurance and control system or to obtain or renew our quality standards certifications may result in a decrease in demand for our products, or cancellation or loss of purchase orders from our customers. Moreover, our reputation could be impaired. As a result, our business and results of operations could be materially and adversely affected.

Our operation is susceptible to unexpected disruptions and irregularities

Our operation are subject to unexpected disruptions brought by natural disasters, including earthquakes, outbreak of diseases or extreme weather such as droughts, floods, excessive cold or heat, typhoons or storms, or other calamities, as well as irregularities in our operation such as fire, power and water outage and other discontinuation of utilities beyond our Group’s control. If any of these events occurs at or in the vicinity of our warehouse facilities, it may directly cause substantial damage or destruction to our inventory. We cannot guarantee that the precautionary measures implemented at our warehouse facilities, such as regular inspection of our fire safety facilities and surveillance system, check-ups by the relevant authorities and continued compliance with fire safety laws and regulations in Hong Kong, will be effective in minimising such risks of business disruptions. There is no assurance that our Group will take adequate steps to mitigate the potential impact of such disruptions effectively. While we did not experience any of such business interruptions during the Track Record Period, the occurrence of any of such incidents in the future may cause partial or total loss of our stocks. Our operation may be severely impaired or even put to a halt, which may lead to material adverse impact on our Group’s results of operations.

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Increase in cost of labour and shortage of skilled sales personnel may affect our performance

We consider that experienced sales personnel with strong product knowhow, who are instrumental to our business development, are not readily available in the market. There is no assurance that we are able to attract or retain experienced sales personnel. If we fail to retain our existing sales personnel or recruit sufficient sales personnel in a timely manner, our business and results of operation may be adversely affected. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, we incurred expense for the cost of labour in the amount of approximately HK\$6.0 million, HK\$6.9 million and HK\$3.6 million, respectively. There is no assurance that the cost of labour will remain stable. If there is any significant increase in the costs of labour and we have to retain our labour by increasing their wages, our staff cost will increase and thus lower our profitability.

Our Group may not be able to adequately manage our future growth and expansion

Any future development of our business is subject to the availability of resources and the constraints of market conditions which may be constantly changing. Our Group may not be able to manage our growth effectively in a controlled manner. Any over-expansion could exert pressure on our limited managerial, operational and financial resources and may in turn pose risks to our operational and financial stability. For example, we may not be able to increase our warehouse facilities, upgrade our information technology system, further penetrate the medical device market, and recruit sufficient manpower in a timely manner to support our business growth. Failure to manage our expansion plans properly may result in increased operational costs and lower profits than anticipated.

We are subject to the risk of foreign currency fluctuations

While our revenue is denominated in HK\$, a substantial percentage of our purchases are denominated in US\$ or other foreign currency for the transactions with our suppliers. Our Group recorded net exchange gains of approximately HK\$325,000, HK\$125,000, HK\$109,000 for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively, arising from the settlement of trade payables with our overseas suppliers. However, any depreciation of HK\$ against US\$ or other foreign currency may subject us to increased costs and lower profitability. Please see the paragraph headed “Financial information – Quantitative and qualitative disclosures about market risks – Foreign currency risk” of this prospectus for more information on our foreign currency risk exposure.

Our Group could be exposed to liability by litigation or legal proceedings which may divert our resources and adversely impact our reputation

Our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. During the ordinary course of our business operations, our Group is exposed to liability arising from product quality claims, labour disputes, contractual claims under supply agreements, sales agreements, and other potential third party disputes. These

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actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. Our operational and financial resources, as well as our management attention may be diverted in handling such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred especially during the often prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may tarnish our reputation or strain our financial resources and adversely affect the profitability of our Group.

As our expansion plans are expected to be funded by the net proceeds from the Share Offer, our operating cash flow and other sources of financing such as banking facilities, we may need additional capital to fund our expansion plans, which we may not be able to obtain on acceptable terms, or at all

We intend to further expand our business through organic growth and selectively pursuing opportunities for strategic acquisition after the Listing and therefore we may need additional funding for our expansion plans. As at 31 January 2018, we had a banking facility of HK\$3.0 million which was secured by a bank deposit of approximately HK\$3.0 million placed by our Group. It is currently expected that such banking facility will not be sufficient to fund all our expansion plans, expansion of our workforce and selectively pursuing opportunities for strategic acquisitions. Also, there cannot be any assurance that we will have adequate cash flow generated internally for our expansion plans. In the event that our expansion plans require additional capital or we are not able to generate sufficient cash flow, we will be subject to risk of obtaining additional financing. There cannot be any assurance that we will be able to obtain adequate financing on acceptable terms, or at all.

We may be required to scale down our growth strategies or alter our acquisition plans. If we raise additional funding by debt, our repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of our Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

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Also, the successful implementation of our expansion plans are subject to a number of risks and uncertainties, including but not limited to:

- our ability to locate profitable and suitable existing market player with unique products or distribution channel on commercially reasonable terms;
- unidentified or unforeseeable liabilities or risks may exist in the potential business to be acquired;
- our ability to obtain adequate financing for development and operating costs;
- our ability to incur debts which could reduce our available funds for operation and other purposes as a result of increased debt repayment obligations;
- potential impairment losses relating to goodwill or other intangible assets acquired;
- our ability to accurately estimate expected demand for our medical device solutions;
- our ability to generate future sales from leasing our airway clearance machines to those potential customers who had been provided our airway clearance machines for trial use purpose free of charge;
- our ability to secure adequate new suppliers that meet our quality standards;
- our ability to hire, train and retain skilled management and other employees on commercially reasonable terms;
- our ability to divert efforts of the management and other resources; and
- our ability to successfully promote our branding.

Our planned expansion through acquisition of an existing market player may experience delay and we may not be able to complete the acquisition or expansion in time or at all

We plan to expand our network of distribution of medical devices through acquisition of an existing market player. As at the Latest Practicable Date, we had neither identified any acquisition targets, nor entered into any definitive agreements with any potential targets. We may not be able to identify a suitable market player to expand our network of distribution channels. Please refer to the paragraph headed “Business – Our business strategies – Selectively pursue opportunities for strategic acquisitions” of this prospectus for further details.

We expect the amount of required initial investment to be significantly affected by general market conditions in the industry, including the size of business, acquisition costs and labour costs. We may not be able to secure sufficient financing for our expansion. We also expect that our schedule of acquisition will affect our financial condition and results of operations, and may lead to period-to-period fluctuations in the future.

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Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue amounted to approximately HK\$52.9 million, HK\$51.7 million and HK\$31.0 million, respectively, and our gross profit amounted to approximately HK\$28.2 million, HK\$26.0 million and HK\$16.2 million, representing a gross profit margin of approximately 53.3%, 50.4% and 52.3%, respectively; while our net profit amounted to approximately HK\$13.0 million, HK\$11.8 million and HK\$0.4 million, representing a net profit margin of approximately 24.5%, 22.8% and 1.2%, respectively. However, such trend of historical financial information on our Group is a mere analysis of our past financial performance and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

RISKS RELATING TO THE INDUSTRY

Our Group's revenue may be adversely affected by the highly competitive nature of the medical device market in which we operate

According to the Frost & Sullivan Report, the Hong Kong medical device industry is fragmented. In 2016, there were more than 100 medical devices distributors in Hong Kong. Our Group competes in the medical device market for both the supply of products by suppliers and the provision of products to customers. Some of our major competitors may have advantages over us, in terms of operating history, product portfolio, reputation, financial resources, sourcing and distribution network. There is no guarantee that we will be able to maintain our competitive strengths in the future as the industry trends evolve and as the market changes, particularly in the face of competition stemming from other major existing competitors.

Furthermore, any consolidation among our existing or potential competitors may rapidly and significantly increase their market share, which may diminish the market share we have developed since our establishment and increase the difficulties we face in expanding or gaining market share. Intense competition may lead our existing or potential competitors to adopt irrational or hostile business strategies, such as unreasonable or predatory price reductions and poaching of our employees, any of which may result in loss of our market share and reduced profit margins if we are forced to lower our pricing in response to such tactics adopted by our competitors.

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Moreover, our existing or potential competitors may introduce products superior to those we are selling or will sell distinctive products with exclusivity in the future. Our revenue from sales of products may be adversely affected if these new products are more suited to the changing preferences of patients or users and receive greater market demand. We may be unable to source or distribute these new products, as the distributorship rights of these products may be exclusively granted to our competitors or due to other reasons. Consequently, our market share may be adversely affected. We may also face loss of our existing customers if they opt to purchase the new products distributed by our existing or potential competitors. As a result, we may not be able to maintain our historical growth of business and our results of operations.

Our financial performance depends on the HK Government's medical healthcare policy and healthcare expenditure in Hong Kong

The future growth and level of profitability of the medical device market in Hong Kong will be determined by the interplay of a variety of factors including the HK Government's policies and expenditure on medical healthcare and other factors affecting the demand for medical healthcare in Hong Kong. According to Frost & Sullivan Report, (i) the expenditure of the HK Government on healthcare had increased from approximately HK\$51.3 billion in 2012 to approximately HK\$67.9 billion in 2016, representing a CAGR of approximately 7.3% from 2012 to 2016; (ii) under the Strategic Plan of the Hospital Authority from 2017/18 to 2021/22, the HK Government had reserved HK\$200 billion in the next nine years to provide for a total of around 5,000 additional hospital beds. If there is any change in the HK Government's medical healthcare policy and healthcare expenditure in Hong Kong, demand for medical devices may deteriorate and our operations and profitability may be adversely affected.

Our financial performance may be adversely affected upon the implementation of the proposed regulatory framework on medical devices introduced by the HK Government

The HK Government planned to introduce a new bill setting up the proposed regulatory framework on medical devices for the purpose of increasing the control of sale and use of selected medical devices. As at the Latest Practicable Date, no legislative proposal on such statutory regulatory framework had been introduced in Hong Kong. We cannot assure that, when the proposed regulatory framework on medical devices is implemented, the regulatory requirements for our Group's operations in Hong Kong will not become more stringent. The imposition of any onerous obligations on us in relation to the sale of medical devices may increase our costs of operation and in turn adversely affect our profitability. Further, there is no assurance that the medical devices we distribute will not be categorised as high-risk and the use of such medical devices will not be restricted. We may be required to suspend our supply of such medical devices and the financial performance of our Group may therefore be adversely affected.

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Our Group's expansion of warehousing and storage capacity is limited by shortage of land and relatively high costs of conducting business in Hong Kong

The expansion of our warehousing and storage capacity may be constrained by the general shortage of land in Hong Kong. We may encounter difficulties when securing warehousing space when we seek to expand our storage capacity in the future. We may also face keen competition with competitors in medical device market or businesses in other industries that require storage space. In addition, given the high demand for warehouse facilities, we may not have bargaining power to negotiate for commercially acceptable terms when securing the tenancy of such warehouse facilities. Further, the costs of doing business in Hong Kong are high as compared to its surrounding regions. In view of the high rental prices and high labour costs in Hong Kong, our Group needs to exercise careful control over our expenditures in these areas. Should we fail to control our costs, the financial performance of our Group may be adversely affected.

Any outbreak of animal diseases, epidemic of contagious diseases in Hong Kong or overseas countries may have a material adverse effect on our business operations and financial condition

The medical devices we currently distribute mainly originate from the United States, Germany, France, Mexico, Malaysia and the PRC. Any outbreak of animal diseases, or other epidemics in these countries may severely impair our suppliers' ability to supply or continue to supply products which may be contaminated or otherwise unsafe due to the outbreak of diseases. Any epidemic of contagious diseases affecting humans, such as avian influenza, severe acute respiratory syndrome, swine influenza and Ebola diseases might also result in unfavourable business operating conditions for our suppliers and customers, slowdown in economic growth and overall negative business sentiment. As our revenue heavily relies on the continuous and stable supply of products by our suppliers and sales of products to our customers, our business and financial performance may in turn be materially and severely affected. Furthermore, the occurrence of such outbreaks of animal or communicable diseases affecting humans in the countries from which we import our products may generate public concerns for their safety, influence customers' confidence in our brand and adversely affect our reputation.

Political and economic considerations of Hong Kong

As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. In recent years, the PRC government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

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

Prior to the Listing, there is no public market for our Shares. The listing of, and the permission to deal in, our Shares on GEM do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for our Shares, the general market sentiment regarding the medical device industry could cause the market price and trading volume of our Shares to change substantially. In addition, both the market price and liquidity of our Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Furthermore, as the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.08 per Share and approximately HK\$0.09 per Share, based on the Offer Price of HK\$0.30 per Share and HK\$0.35 per Share, respectively.

Any disposal by our Controlling Shareholder of a substantial number of Shares in the public market could materially and adversely affect the market price of our Shares

There is no guarantee that B&A Success, our Controlling Shareholder, will not dispose of its Shares following the expiration of the lock-up period after the Listing. Our Group cannot predict the effect, if any, of any future sales of our Shares by our Controlling Shareholder may have on the market price of our Shares. Sales of a substantial number of Shares by B&A Success or any party who becomes a Controlling Shareholder or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

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Our historical dividend payment should not be taken as an indication of our future dividend policy

We declared dividends of approximately HK\$16.0 million, HK\$12.5 million and HK\$2.8 million for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. A special dividend of HK\$11.2 million was declared on 17 July 2017. The payment of these dividends was financed by our internal resources. As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law and will be subject to the approval of our Shareholders. There is no assurance that dividends of similar amount or at similar rates will be declared or distributed in any year. For more details on our historical dividend payment, please refer to the paragraph headed “Financial information – Dividends” of this prospectus.

Investors may experience difficulties in enforcing their shareholders’ rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities Shareholders is set out in Appendix III to this prospectus.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of our Shares

Future issue of Shares by our Company or the disposal of a substantial number of Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of our Shares. We cannot give any assurance that such event will not occur in the future.

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RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

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

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statements

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, our directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to 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 in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer and the listing of our Shares on GEM, which is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers.

The Offer Shares are offered for subscription 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 in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus and the Application Forms, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or any other persons or parties involved in the Share Offer.

The delivery of this prospectus should not, 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 the information contained in this prospectus is correct as at the 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" of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" of this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of our Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange.

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 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 us by the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 202,128,000 Shares, comprising 168,000,000 Offer Shares and 34,128,000 Shares held by Akatsuki (which is considered to be a public Shareholder upon the Listing), representing approximately 25.26% of the enlarged issued share capital of our Company, will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme).

FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

Prospective investors 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 investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained by the principal share registrar in the Cayman Islands. Dealings in our Shares on GEM will be registered on our Hong Kong branch register of members maintained in Hong Kong by the Hong Kong Branch Share Registrar – Tricor Investor Services Limited.

Only Shares registered on our Hong Kong branch register of members maintained by the Hong Kong Branch Share Registrar in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealings in our Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealings in our Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our 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 our Shares on GEM or, under contingent situation, such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for our Shares to be admitted to CCASS.

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

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 29 March 2018.

Our Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8372. We will not issue temporary documents of title.

LANGUAGE

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

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

$$\text{US\$1.00} = \text{HK\$7.80}$$

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates or at all.

ROUNDINGS

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Ms. Wong Bik Kwan Bkie (黃碧君女士)	Flat 9B Tropicana 1 Dynasty Heights 2 Yin Ping Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Chan Chun Sing (陳震昇先生)	Flat 1105, Block P Amoy Garden Kowloon Bay Kowloon Hong Kong	Chinese
<i>Non-executive Directors</i>		
Dr. Miu Yin Shun Andrew (苗延舜醫生)	Flat 9B Tropicana 1 Dynasty Heights 2 Yin Ping Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Chiu Man Wai (趙文煒先生)	17 Wilson Road Jardine's Lookout Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Mr. Ng Leung Sing <i>SBS, JP</i> (吳亮星先生)	Flat D, 28/F, Block 1 The Grand Panorama 10 Robinson Road Hong Kong	Chinese
Mr. Wong Lung Wo James (黃龍和先生)	Flat B, 18/F, Block 6 25 Braemar Hill Road Braemar Hill Mansions North Point Hong Kong	Chinese
Mr. Chan Ping Keung (陳秉強先生)	Flat B, 17/F Yiu Sing Mansion Tai Koo Shing Hong Kong	Chinese

For further details on the profile and background of our Directors, please refer to the section headed “Directors, senior management and staff” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Guotai Junan Capital Limited

*(A licensed corporation to carry on type 6
(advising on corporate finance) regulated
activity under the SFO)*

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Sole Global Coordinator

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Joint Bookrunners and Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Ruibang Securities Limited

9/F, Sang Woo Building

227-228 Gloucester Road

Wanchai

Hong Kong

Co-managers

Aristo Securities Limited

Room 101, 1st Floor

On Hong Commercial Building

145 Hennessy Road

Wanchai

Hong Kong

Koala Securities Limited

Units 01-02, 13/F

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law
Stevenson, Wong & Co.
Solicitors, Hong Kong
39/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

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

Legal counsel of our Company
Mr. Martin W.H. Wong
Barrister-at-law in Hong Kong
Parkside Chambers
3101 Two Pacific Place
88 Queensway
Hong Kong

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

As to Hong Kong law
D. S. Cheung & Co.
Solicitors, Hong Kong
29/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountants

BDO Limited

Certified Public Accountants

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

Industry consultant

Frost & Sullivan Limited

1706, One Exchange Square

8 Connaught Place

Central

Hong Kong

Receiving bank

**Standard Chartered Bank (Hong Kong)
Limited**

4-4A Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Units 2901-2903 and 2905, 29/F The Octagon 6 Sha Tsui Road Tsuen Wan New Territories Hong Kong
Compliance officer	Ms. Wong Bik Kwan Bikie (黃碧君女士)
Company secretary	Mr. Chan Chun Sing (陳震昇先生)
Authorised representatives (for the purpose of the GEM Listing Rules)	Ms. Wong Bik Kwan Bikie (黃碧君女士) Flat 9B Tropicana 1 Dynasty Heights 2 Yin Ping Road Kowloon Tong Kowloon Hong Kong Mr. Chan Chun Sing (陳震昇先生) Flat 1105, Block P Amoy Garden Kowloon Bay Kowloon Hong Kong
Audit Committee	Mr. Wong Lung Wo James (黃龍和先生) (<i>Chairman</i>) Mr. Chan Ping Keung (陳秉強先生) Dr. Miu Yin Shun Andrew (苗延舜醫生)
Remuneration Committee	Mr. Chan Ping Keung (陳秉強先生) (<i>Chairman</i>) Mr. Wong Lung Wo James (黃龍和先生) Ms. Wong Bik Kwan Bikie (黃碧君女士)

CORPORATE INFORMATION

Nomination Committee

Mr. Ng Leung Sing (吳亮星先生)
(Chairman)

Mr. Chan Ping Keung (陳秉強先生)

Mr. Chiu Man Wai (趙文煒先生)

Compliance adviser

Guotai Junan Capital Limited

(A licensed corporation to carry on type 6
(advising on corporate finance) regulated
activity under the SFO)

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

**Principal share registrar and
transfer office**

**Conyers Trust Company
(Cayman) Limited**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

**Hong Kong branch share registrar and
transfer office**

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Principal banker

Bank of China (Hong Kong) Limited

Bank of China Tower

1 Garden Road

Hong Kong

Company's website

www.grandbrilliancegroup.com

(Note: Contents on this website do not form
part of this prospectus)

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in the prospectus have been derived from various government publications, publicly available sources and the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan and commissioned by our Group. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false and misleading. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or advisers makes any representation as to the accuracy, fairness and completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the medical device market in Hong Kong. Founded in 1961, Frost & Sullivan is an independent global consulting firm based in the United States, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of HK\$380,000, and is disclosed with the consent of Frost & Sullivan.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the medical device market and various segment markets in Hong Kong:

- Hong Kong's economy is expected to grow at a steady rate supported by favourable HK Government's policies as well as global economic recovery, among other factors;
- The demand and supply of medical devices in Hong Kong are likely to remain stable during the forecast period; and
- The social, economic and political environments of Hong Kong is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the medical device market in Hong Kong.

Save as disclosed otherwise, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

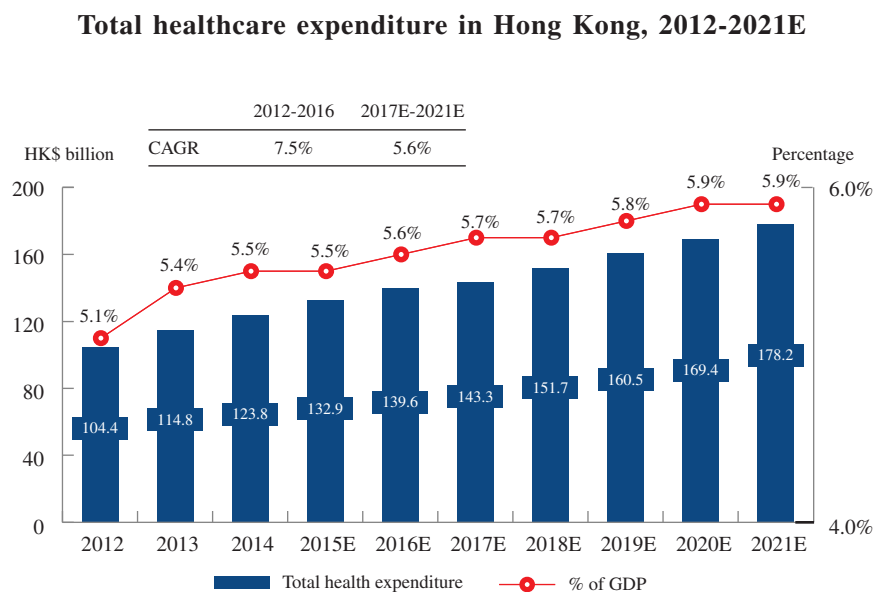
INDUSTRY OVERVIEW

AGING POPULATION IN HONG KONG

With low birth rate and increasing life expectancy, Hong Kong has entered an aging society. The number of individuals aged above 65 years old in Hong Kong grew rapidly at a CAGR of approximately 5.0% from 2012 to 2016, and is expected to grow at a CAGR of approximately 4.6% from 2017 to 2021. According to the information from the Census and Statistics Department of Hong Kong, the number of individuals aged above 65 years old was approximately 1.2 million in 2016, which accounted for approximately 16.3% of the total population in Hong Kong. The number of individuals aged above 65 years old is growing at a fairly fast pace and is expected to continue its growth momentum into the future and reach approximately 1.5 million by 2021, which represents approximately 19.6% of the total population in Hong Kong.

HEALTHCARE EXPENDITURE IN HONG KONG

Driven by expanding aging population and rising healthcare awareness of the public, the total healthcare expenditure had been rising from approximately HK\$104.4 billion in 2012 to approximately HK\$139.6 billion in 2016, representing a CAGR of approximately 7.5% from 2012 to 2016. The total healthcare expenditure is projected to reach approximately HK\$178.2 billion in 2021, representing a CAGR of approximately 5.6% from 2017 to 2021. The following chart sets forth the total healthcare expenditure in Hong Kong from 2012 to 2016 and the forecast from 2017 to 2021:



Source: Food and Health Bureau of Hong Kong, Frost & Sullivan Report

INDUSTRY OVERVIEW

HONG KONG MEDICAL DEVICE MARKET

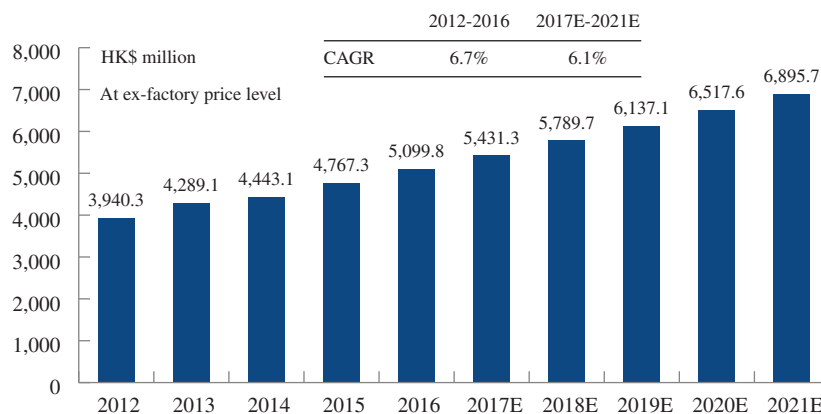
Overview of regulations on medical device market in Hong Kong

The MDACS has been implemented since 26 November 2004 to raise public awareness to the safe use of medical devices and facilitate the transition to the long-term statutory control. The MDACS is a medical device listing system, on which manufacturers and distributors of medical devices could voluntarily list their medical devices, as well as an adverse incident reporting system, through which the manufacturers, distributors, users, and the general public could report adverse incidents to the Department of Health. Except the MDCO, there is no other authority in Hong Kong established or designated to regulate the import, distribution, sale or use of medical devices (except medical devices containing pharmaceutical products or emit ionising radiation). For further details on the regulatory regime applicable to the Hong Kong medical device market, please refer to the section headed “Regulatory overview” of this prospectus.

Overview of Hong Kong medical device market

The market size of Hong Kong medical device in terms of revenue was approximately HK\$5,099.8 million in 2016, with a CAGR of approximately 6.7% from 2012 to 2016. In view of the aging population in Hong Kong and the projected increase in the HK Government’s healthcare expenditure, it is expected that market demand for medical devices will keep increasing from 2017 to 2021. As a result, the market size of Hong Kong medical device in terms of revenue is expected to further increase to approximately HK\$6,895.7 million in 2021, with a CAGR of approximately 6.1% from 2017 to 2021.

Market size of Hong Kong medical device, 2012-2021E



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

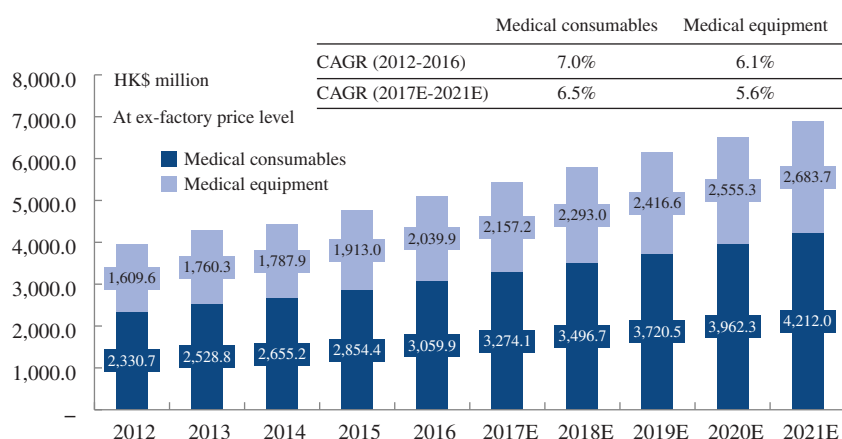
Analysis by product category

Medical devices can be categorised into two sectors, namely medical consumables and medical equipment. Medical instruments have been classified into medical consumables and medical equipment sectors respectively according to their actual clinical applications.

Medical consumables generally do not need regular maintenance or calibrations, and can be divided to low-value consumables and high-value consumables. The former is low-cost, disposable, and massively used in medical institutions such as gloves, gauze, needles and syringes. The latter with higher price is for relatively longer period of use such as joint prosthesis, saccule and stent.

From 2012 to 2016, medical consumables demonstrated larger market size in terms of revenue and higher growth rate compared to that of medical equipment in Hong Kong. Such proportion of medical device market is expected to continue from 2017 to 2021. The following chart sets forth the breakdown of market size of Hong Kong medical device market by product category from 2012 to 2016 and the forecasts from 2017 to 2021:

Breakdown of market size of Hong Kong medical device by product category, 2012-2021E



Source: Frost & Sullivan Report

Medical consumable market

The market share of medical consumables accounted for approximately 60.0% of the total medical device market in terms of revenue in 2016 and is expected to grow to approximately HK\$4,212.0 million in 2021, representing a market share of approximately 61.1% of the total medical device market in Hong Kong.

From 2012 to 2016, Hong Kong medical consumable market grew at a higher rate than the total medical device market in Hong Kong, reaching approximately HK\$3,059.9 million with a CAGR of approximately 7.0%. As the volume of patient visits is increasing in Hong Kong, the market size of medical consumables in terms of revenue is expected to continuously increase to approximately HK\$4,212.0 million in 2021, representing a CAGR of approximately 6.5% from 2017 to 2021.

INDUSTRY OVERVIEW

Medical consumables are mainly used in surgical procedures, of which the volume will keep increasing year by year due to the aging population and increasing healthcare expenditure in Hong Kong. According to the Strategic Plan of the Hospital Authority for 2017/18 to 2021/22, a total of over 90 new operating theatres will be set up through the hospital development projects from 2016 to 2026. Such development will considerably stimulate the demand for medical consumables in Hong Kong.

Medical equipment market

The size of the Hong Kong medical equipment market grew at a CAGR of approximately 6.1% from approximately HK\$1,609.6 million in 2012 to approximately HK\$2,039.9 million in 2016 in terms of revenue. It is estimated that the size of Hong Kong medical equipment market will increase at a CAGR of approximately 5.6% between 2017 and 2021 to achieve approximately HK\$2,683.7 million in 2021, due to the increasing HK Government's healthcare expenditure and health awareness of the general public.

Hospital bed is one of the typical medical equipment supplied by our Group. The Hong Kong hospital bed market is dominated by four market players. The top four players accounted for an aggregate market share of more than 75.0% in terms of revenue in 2016, which indicates that the Hong Kong hospital bed market is a highly concentrated market. The largest player in Hong Kong hospital bed market accounted for a market share of approximately 27.5% in 2016. The second largest player, whose hospital beds were solely distributed by our Group, accounted for a market share of approximately 23.0% in 2016.

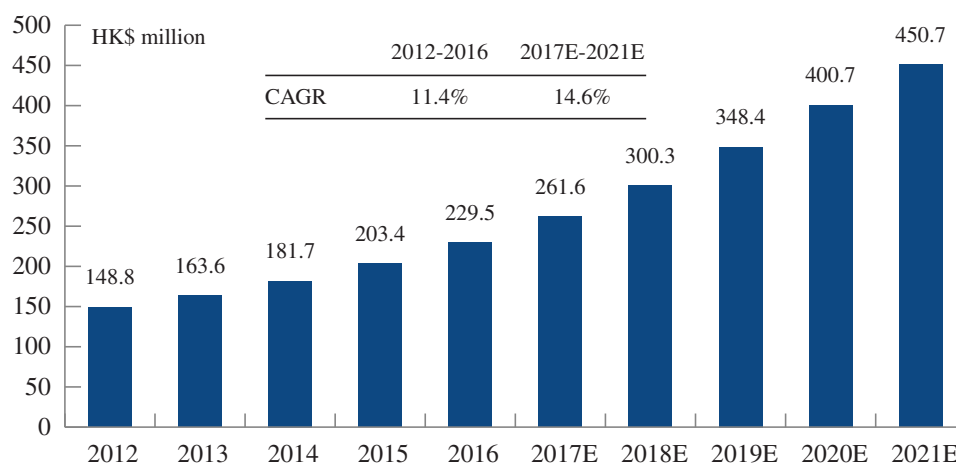
The total number of hospital beds in Hong Kong had kept increasing from 2012 to 2016. The number of hospital beds in Hong Kong grew at a CAGR of approximately 1.7% from 36,579 in 2012 to 39,090 in 2016. As the aging population demands more hospital beds and the Hospital Authority will allocate financial resources to build new hospitals, it is estimated that the total number of hospital beds will climb to 44,356 in 2021, growing at a CAGR of approximately 2.6% from 2017 to 2021. The market size of hospital beds in Hong Kong in terms of revenue increased at a CAGR of approximately 3.7% from approximately HK\$34.1 million in 2012 to approximately HK\$39.4 million in 2016. It is expected that the market size of Hong Kong hospital beds will continue to grow to approximately HK\$53.6 million in 2021, at a CAGR of approximately 7.1% from 2017 to 2021, due to the financial support from the HK Government. According to the Strategic Plan of Hospital Authority for 2017/18 to 2021/22, the HK Government intends to invest HK\$200 billion for hospital development from 2016 to 2026, which includes an addition of around 5,000 hospital beds.

INDUSTRY OVERVIEW

Medical device maintenance services market

Maintenance services can ensure safe, efficient, and long-lasting use of medical devices, especially for the medical devices after expiration of the warranty period. On the basis of device type, the medical device maintenance services market is divided into imaging equipment, endoscopic devices, surgical instruments, electric hospital beds, and other medical equipment. The Hong Kong medical device maintenance services market grew from approximately HK\$148.8 million in 2012 to approximately HK\$229.5 million in 2016 in terms of revenue, at a CAGR of approximately 11.4%. It is expected that this market will experience a higher CAGR in the next few years because the number of healthcare institutions in Hong Kong implementing medical devices maintenance services strategies is expected to rise, which will offer growth opportunities for service providers.

Market size of Hong Kong medical device maintenance services, 2012-2021E



Source: Frost & Sullivan Report

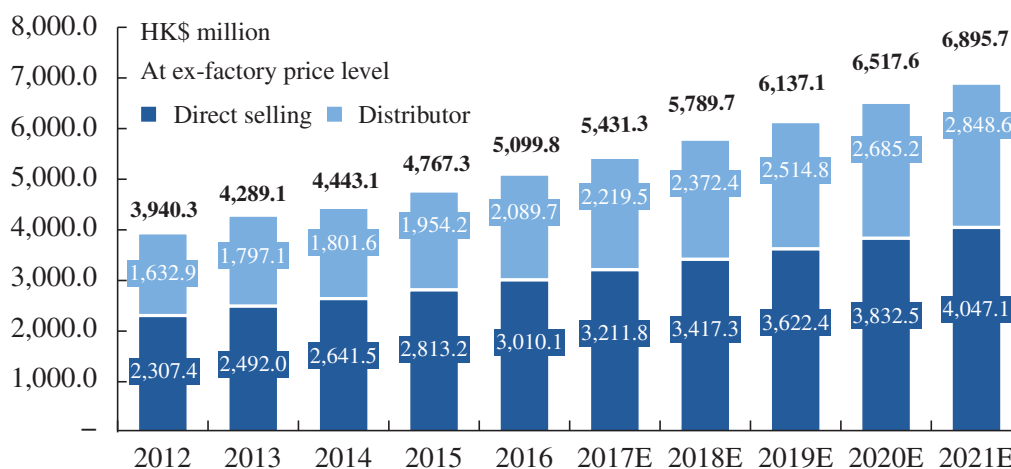
Analysis by sales model

Medical devices are either directly sold by the manufacturers to end-users in Hong Kong or distributed to them by local distributors. In general, large multinational medical devices manufacturers would have branches in Hong Kong and sell their matured or best-selling products to their customers directly. However, such manufacturers would usually rely on local distributors to sell their new or niche products for quick market penetration. Adoption of distribution model would allow these large manufacturers to reduce entry cost and streamline the ordering processes for local customers. A dedicated medical device distributor could provide these medical device manufacturers with a number of services including provision of local maintenance and consultation services for their products. The following table sets out the market share of direct selling and distribution model in the Hong Kong medical device market from 2012 to 2016 and the forecasts from 2017 to 2021:

INDUSTRY OVERVIEW

Breakdown of market size of Hong Kong medical device by sales model, 2012-2021E

	Direct selling	Distribution
CAGR (2012-2016)	6.9%	6.4%
CAGR (2017E-2021E)	5.9%	6.4%



Source: Frost & Sullivan Report

Although direct selling accounted for a larger market share in the medical device market in Hong Kong, distribution business model is expected to offer a higher growth potential as more and more overseas medical device companies which do not have local presence or network will enter into Hong Kong market in the future. It will be more cost-effective for these overseas medical device companies to adopt the distribution business model at the early stage of their business operation in Hong Kong. It is expected that they will continue to leverage on distributors' existing network as long as there is no change in their business strategy.

Growth drivers of Hong Kong medical device market

Accelerated aging population

The number of individuals aged above 65 years old in Hong Kong was approximately 1.2 million in 2016, which accounted for approximately 16.3% of the total population in Hong Kong. With reference to the Frost & Sullivan Report, aging population of Hong Kong grew rapidly at a CAGR of approximately 5.0% from 2012 to 2016, and is expected to grow at a CAGR of approximately 4.6% from 2017 to 2021. The prevalence of diseases is normally higher among the elderly group. As a result of such demographic shift, the aging trend will create huge demand for medical devices in Hong Kong.

INDUSTRY OVERVIEW

Increased healthcare expenditure

The HK Government's healthcare expenditure and private household out-of-pocket healthcare expenditure are two major components of Hong Kong's total healthcare expenditure. The HK Government's healthcare expenditure is expected to be approximately HK\$67.9 billion in 2016, increasing at a CAGR of approximately 7.3% from 2012. On the other hand, private household out-of-pocket healthcare expenditure also showed an upward trend from 2012 to 2016, expecting to achieve approximately HK\$49.1 billion at a CAGR of approximately 8.2%. It is estimated that the HK Government's healthcare expenditure and private household out-of-pocket healthcare expenditure will further grow to approximately HK\$86.6 billion and HK\$63.4 billion in 2021, respectively, representing CAGRs of approximately 5.6% and 5.8% from 2017 to 2021, respectively. The increasing healthcare expenditure in Hong Kong demonstrates that both the HK Government and the private household have high level of health awareness, and thus has a positive effect on driving up the demand for medical devices in Hong Kong.

Continuous technology innovation

Technology innovation is critical in the growth of medical device market as it can address the unmet clinical needs and therefore create more market opportunities. For example, hospitals are gradually investing in new generation smart and intelligent hospital beds with advanced features such as remote monitoring capabilities, integrated sensors that track and monitor patient physiological parameters, and electronic control that simplify nursing care. In addition, over the past decade, improvements in biopsy needle design and sampling technique make percutaneous needle biopsy (PNB) the most common interventional radiologic procedure.

Increasing surgery volume

Medical consumables are mainly used in surgical procedures, and the volume of surgical procedures accounts for more than 50.0% of total procedure volume in Hong Kong. Driven by the aging population and increasing healthcare expenditure, the surgical procedure volume increases year by year. In addition, the HK Government is planning to develop hybrid operating theatres in hospitals. Such trend would also drive the growth of medical device market in Hong Kong.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF HONG KONG MEDICAL DEVICE MARKET

Hong Kong medical device distributors can be segmented to three tiers according to market size in terms of revenue.

Our Group is a tier II distributor in Hong Kong medical device market, accounting for a market share of approximately 2.5% of the overall market of the tier I, tier II and tier III medical device distributors and approximately 5.4% of the market of the tier II medical device distributors in 2016. The following table sets forth the market share and revenue of the distributors in the Hong Kong medical device market in 2016:

Distributors in the Hong Kong medical device market, 2016

		Revenue (HK\$ million)	Market share (%)	Number of market players	Description
1	Tier II distributors	965.4	46.2	Approximately 20	Each of Tier II distributors has an annual revenue of more than HK\$50 million but less than HK\$100 million. Their major product category is medical consumables.
2	Tier I distributors	601.8	28.8	Approximately 5	Each of Tier I distributors has an annual revenue of more than HK\$100 million. Their major product category is medical consumables.
3	Tier III distributors	522.4	25.0	>100	Each of Tier III distributors has an annual revenue of less than HK\$50 million. Their major product category is medical consumables.
	Total	2,089.6	100.0		

Source: Frost & Sullivan Report

Frost & Sullivan has conducted interviews with some of the leading medical device distributors and medical device manufacturers in the Hong Kong market. Based on Frost & Sullivan's findings in the interviews, the aforementioned categorisation of distributors in the market is in line with the industry norm and is widely recognised in the Hong Kong medical device distribution industry.

INDUSTRY OVERVIEW

The following table sets forth the market share and revenue of the top five tier II medical device distributors in the Hong Kong medical device market in 2016:

Tier II distributors in the Hong Kong medical device market, 2016

		Revenue (HK\$ million)	Market share (%)
1	Competitor A	82.4	8.5
2	Competitor B	76.5	7.9
3	Competitor C	72.0	7.5
4	Competitor D	68.0	7.0
5	Competitor E	60.4	6.3
	Others	606.1	62.8
	Total	965.4	100.0

Source: Frost & Sullivan Report

Please also refer to the paragraph headed “Business – Our competitive strength” of this prospectus for details of our competitive advantages.

Entry barriers

Brand recognition and relationship with customers and suppliers

It is time-consuming to establish positive brand image in Hong Kong medical device market and be widely accepted by the market. It would be more difficult to establish good relationship with customers and suppliers, which is crucial for a medical device market player. In order to gain trusts from customers and suppliers, a market player needs to have track record to prove their servicing capability and reliability which could pose an entry barrier to new market entrants.

Recruitment of technical and sales staff

Sales teams of medical device manufacturers and distributors are essential to support the medical device marketing, sales activities and after-sales services. However, experienced technical and sales staff are reluctant to leave large well-recognised market players and join new entrants. As such, new market entrants will continue to face challenges of recruiting sufficient number of qualified technical and sales staff.

INDUSTRY OVERVIEW

High capital requirement

Meeting increasing demand for medical devices and more stringent requirement for timely delivery of products, the market players need to own or lease warehouses for inventory. In addition, it is generally difficult for new entrants in the medical device market to secure any credit term from overseas suppliers and they may be required by overseas suppliers to make advance payment. As such, new market entrants are required to have sufficient financial resources to meet any significant cash outflow for payment to suppliers. Therefore, requirement for capital investment makes the medical device market difficult to enter.

Future trends

Enforcement of regulation

In Hong Kong, the MDACS is built for medical devices under which manufacturers and importers of medical devices (except Class I devices) could voluntarily list their medical devices with the Department of Health. Although the decision to register devices in Hong Kong is voluntary, both private and public hospitals generally prefer the MDCO listed devices, and listing on the MDCO is intended to be mandatory registration in the future.

Increased application of distribution model

The Hong Kong medical device market is undergoing a consolidation stage. As medical device companies set their sights on growth through speed to the market with a cost-effective way, the vast majority believe future growth will increasingly come through partnerships, rather than in-house efforts. In the near future, more and more overseas medical device companies which do not have local presence or network will enter into Hong Kong medical device market. Compared with direct selling, local distributors in Hong Kong have an in-depth understanding in Hong Kong medical device market, and have good relationship with local customers. Moreover, local distributors have the capacity to provide sales and marketing as well as after-sale services. As a result, partnering with local distributors will be more common in the Hong Kong medical device market.

Threats and challenges

Challenging supply chain management

The variety of medical devices in Hong Kong is almost equivalent to other large-scale markets such as the United States. For Hong Kong local distributors, they need to manage a variety of medical devices but market demand for certain items is relatively lesser. Furthermore, medical device products and spare parts are imported from worldwide, which increases the complexity of logistic management and thereby leads to a more complex and less efficient supply chain management and distribution.

INDUSTRY OVERVIEW

Insufficient regulation

The MDCO is responsible for overseeing medical devices in Hong Kong, but no specific regulation is currently in place regarding the importation, distribution or sale of devices. Moreover, the MDACS, which is implemented for manufacturers and importers of medical devices (except Class I devices) to list their medical devices, currently does not impose any mandatory registration requirement. As a result, some unqualified medical devices can be marketed directly without any official registration and may cause the end-users in danger. Such potential threat would negatively impact the development of medical device market.

Lack of technical talents

Technical support, which largely depends on the seasoned technical talent who is mainly responsible for the maintenance and repair work of medical devices, is the critical component in the after-sales services. Due to the fierce competition in Hong Kong medical device market, the supply of seasoned technical talent falls behind the development of Hong Kong medical device market, which creates a gap in market and has a negative effect on the availability of after-sales service and can further hinder the development of the Hong Kong medical device market.

REGULATORY OVERVIEW

This section sets forth a summary of the major applicable laws and regulations relevant to our business and operations in Hong Kong.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN HONG KONG

Laws and regulations in relation to registration and licence

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

Our Group carries on business in Hong Kong, hence we are subject to the Business Registration Ordinance which requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the IRD within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

Except for the application of a business registration certificate under the Business Registration Ordinance, we are not required to obtain any industry-specific licence, permit, authorisation or qualification for our Group's operations in Hong Kong.

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

Pursuant to the Telecommunications Ordinance, save under and in accordance with a licence granted by the Chief Executive in Council of the HK Government, or with the appropriate licence granted or created by the Communications Authority, no person shall in Hong Kong or on board any ship, aircraft or space object that is registered or licensed in Hong Kong, in particular, (i) establish or maintain any means of telecommunications; (ii) possess or use any apparatus for radiocommunications or any apparatus of any kind that generates and emits radio waves notwithstanding that the apparatus is not intended for radiocommunications; (iii) deal in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications; or (iv) demonstrate, with a view to sale in the course of trade or business, any apparatus or material for radiocommunications.

Any person who contravenes the above licence requirements shall be guilty of an offence and shall be liable on summary conviction, to a fine of HK\$50,000 and to imprisonment for two years and on conviction on indictment, to a fine of HK\$100,000 and to imprisonment for five years. Furthermore, the Telecommunications (Telecommunications Apparatus) (Exemption for Licensing) Order (Chapter 106Z of the Laws of Hong Kong) grants exemptions for licensing requirements under the Telecommunications Ordinance provided that, in the case where the apparatus is used or capable of being used other than as a mobile earth station, if the apparatus satisfies certain technical criteria and tolerates interference from other telecommunications apparatus or any telecommunications system authorised under the Telecommunications Ordinance.

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We have developed a hybrid security system by utilising a combination of technologies, such as EAS and RFID, for hospitals and elderly care homes to prevent missing of patients and medical equipment or elderly residents (as the case may be). As advised by the Legal Counsel, our hybrid security system is exempted from obtaining a licence under the Telecommunications Ordinance pursuant to the Telecommunications (Telecommunications Apparatus) (Exemption for Licensing) Order (Chapter 106Z of the Laws of Hong Kong).

The MDACS and proposed regulatory regime

Our Group sources medical devices from suppliers which are mostly from overseas and distributes such devices in Hong Kong. There is currently no specific legislation to regulate the import, distribution, sale or use of medical devices in Hong Kong except for those devices which contain pharmaceutical products or emit ionising radiation.

To safeguard public health, a risk-based framework for regulating the supply of medical devices in Hong Kong was proposed in a consultation document titled “Regulation of Medical Devices” in July 2003 issued by the Department of Health. The proposed framework classifies medical devices into four classes based on their risk levels to patients, users and other persons following the recommendations made by the Global Harmonisation Task Force and comprises three main areas: (i) pre-market control to ensure that medical devices conform with the safety, performance and quality requirements before they can be placed on the market; (ii) post-market control to enable responsive control measures be placed against defective or unsafe medical devices; and (iii) use control to restrict the possession and use of certain high-risk medical devices.

Pending the enactment of legislation, an administrative control system referred to as the MDACS has been implemented in phases since 26 November 2004 to raise public awareness to the safe use of medical devices and facilitate the transition to the long-term statutory control. Some of our Group’s products may fall under the definition of “medical device” under the MDACS.

The MDACS is built on the same principles as the proposed statutory regime and features (i) a listing system for medical devices under which manufacturers and importers of medical devices (except Class I devices) could voluntarily list their medical devices with the Department of Health; and (ii) an adverse incident reporting system to minimise the recurrence of adverse incidents.

Under the MDACS, the manufacturer should be responsible for determination the risk class of its devices. The manufacturer should document its justification for placing its product into a particular risk class. A number of factors, including for example the duration of device contact with the body, the degree of invasiveness, whether the device delivers medicinal products or energy to the patient, whether they are intended to have a biological effect on the patient and local versus systemic effects. These factors may, alone or in combination, affect device classification. If, based on the manufacturer’s intended purpose, two or more classification rules apply to the device, the device is allocated the highest level of classification

REGULATORY OVERVIEW

indicated. Class I medical devices bear lowest risk, and examples of Class I medical devices include electric beds and stretchers. Class II medical devices bear low to moderate risk, and examples of Class II medical devices include biopsy needles and suction tubings. Class III medical devices bear moderate to high risk, and examples of Class III medical devices include lung ventilator and bone fixation plate. Class IV medical devices bear highest risk, and examples of Class IV medical devices include ligation clips.

The MDCO, which is responsible for the running of the MDACS, maintains lists of local manufacturers, importers, distributors, local responsible persons and medical devices that have been shown to conform to accepted standards of safety and efficacy. For a medical device to be listed, the local responsible person is responsible for demonstrating that the device conforms to the essential principles of safety and performance of medical devices which are designed to ensure the safety and efficacy of the medical devices, and the additional labelling requirements set out in the document titled “Overview of the Medical Device Administrative Control System” issued by the Department of Health. A device or person may be delisted if found to be not conforming to the MDACS requirements or improper. All lists maintained by the MDCO under the listing system are accessible by the public.

According to a discussion document titled “Proposed Regulatory Framework for Medical Devices” dated January 2017 issued by the Food and Health Bureau of the HK Government, the HK Government planned to introduce in a new bill setting up the proposed regulatory framework on medical devices into the Legislative Council of Hong Kong in the latter half of the 2016-2017 legislative session. As at the Latest Practicable Date, no legislative proposal on such statutory regulatory regime had been introduced in Hong Kong.

Laws and regulations in relation to consumer protection and product liability

As our Group is a distributor of medical consumables, medical equipment and medical instruments in Hong Kong, we are subject to the following laws and regulations in relation to product liability and consumer protection. There is no comprehensive legislation in Hong Kong governing product liability and consumer protection. The law in this area comprises of legislation and case law, on both civil and criminal aspects. Various ordinances and regulations impose criminal liability on suppliers for unsafe products.

Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)

We sell medical consumables, medical equipment and medical instruments to our customers in Hong Kong. Our sale of the said consumer goods is subject to the Consumer Goods Safety Ordinance, which imposes a statutory duty on importers and suppliers of certain consumer goods (including medical devices which are supplied for private use or consumption but excluding electrical products) to ensure that the consumer goods they supply are reasonably safe having regard to all the circumstances, including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standard institute or other similar bodies and the existence of any reasonable means to make the products safer.

REGULATORY OVERVIEW

Under the Customer Goods Safety Ordinance, it is an offence for a person to supply or import into Hong Kong consumer goods which fail to comply with the general safety requirement for consumer goods or the specific standards approved by the Secretary for Commerce and Economic Development of the HK Government for those specific types of consumer goods. It would be a defence for that person to show that he has taken all reasonable steps and exercised all due diligence to avoid committing the offence. Any person who commits such offence shall be liable, on first conviction to a fine of HK\$100,000 and imprisonment for one year, and on subsequent conviction to a fine of HK\$500,000 and two years' imprisonment. A continuing offence will result in an additional fine of HK\$1,000 per day. The Commissioner of Customs and Excise also has power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury.

Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong)

The Consumer Goods Safety Regulation requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

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

In Hong Kong, the contracts for the sale of goods (including medical devices) are mainly governed by the Sale of Goods Ordinance. The safety and suitability requirements of the good supplied are often treated as an implied term of the sales contract to strengthen protection to consumers.

The Sale of Goods Ordinance also imposes certain implied terms or conditions and warranties on the sellers for the goods supplied, including that the goods supplied must be of merchantable quality, reasonably fit for the purpose made known to the seller, and correspond with the description and sample (if any). The extent to which liability for breach of contract, negligence or other types of breaches of duty can be avoided through contractual terms is regulated by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

Tortious obligations

Under the common law, importers and suppliers of medical devices owe a duty of care to the consumers of such products. For example, if an importer or supplier discovers or has reasons to believe that its products may be unsafe, it may have to cease to supply the unsafe product and to give proper warning and instructions to whom the product is supplied. Where the risk of injury is high, the required standard of care will also be high. Any person who undertakes to design, import, supply or install a product, and who negligently performs his

REGULATORY OVERVIEW

work and causes damage to other person or property, will be liable as a result. Some products may carry inevitable risk upon use but the risks may be minimised if sufficient precaution is taken in handling or use. The duty on the supplier is to provide proper labelling and adequate and clear instructions for handling and use of its products so as to warn the users of the products against a foreseeable danger.

Laws and regulations in relation to advertising and promotion practices

There are a number of laws and regulations governing the advertising and promotion of products in Hong Kong. We undertake advertising and promotional campaigns and advertise and describe the functions of our products on advertisements. As such, we are subject to the following ordinances:

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

The Trade Descriptions Ordinance regulates the descriptions and statements made to any goods in the course of trade. Under the Trade Descriptions Ordinance, it is an offence for a person to, in the course of trade or business, (i) apply a false or misleading trade description to any goods or supply any goods with false or misleading trade descriptions; or (ii) forge any trade mark or falsely apply any trade mark to any goods. A person who commits any such offence is subject to a fine of up to HK\$500,000 and imprisonment of up to five years.

Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong)

The Undesirable Medical Advertisements Ordinance prohibits the publication of any advertisement that will likely lead to the use of any surgical appliance or treatment for the purpose of treating human beings for certain diseases or conditions, including respiratory diseases and diseases of the musculo-skeletal system (but excluding external preparations for the relief of symptoms of muscular pain and stiffness and cramp). Any person who contravenes such prohibitions commits an offence and shall be liable, on first conviction to a fine of HK\$50,000 and imprisonment for six months, and on subsequent conviction to a fine of HK\$100,000 and imprisonment for one year.

Other laws and regulations in relation to our business

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

The Competition Ordinance came into force on 14 December 2015. It prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

REGULATORY OVERVIEW

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to undertakings directly and indirectly holding carrier licences issued under the Telecommunications Ordinance.

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a ‘single contravention’ can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission’s investigation.

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors confirmed that our Group had not engaged in any anti-competitive conduct described in the first conduct rule and second conduct rule during the Track Record Period.

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

The Prevention of Bribery Ordinance prohibits all forms of bribery and corruption. Any director or employee is prohibited from soliciting, accepting or offering any bribe in conducting a company’s business or affairs, whether in Hong Kong or elsewhere. In particular, in conducting all business or affairs of a company, the director or employee must comply with the Prevention of Bribery Ordinance and must not (i) solicit or accept any advantage from others as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to the company’s business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to his principal’s business or affairs; (ii) offer any advantage to any public servant, which, for the purpose of the Prevention of Bribery Ordinance, includes any employee of a public body, such as the Hospital Authority, as a reward for or inducement to his performing any act in his official capacity or his showing any favour or providing any assistance with the HK Government or public body; (iii) offer any advantage to any staff of any department under the HK Government or public body while he is having business dealing with the latter; or (iv) offer any advantage to any other person as an inducement to or a reward for the withdrawal of a tender or the refraining from making of a tender for any contract with a public body or bidding at any auction conducted by any public body. Depending on the offence committed, maximum penalties for the above offences under the Prevention of Bribery Ordinance range from fines of HK\$100,000 to HK\$500,000 and imprisonment for one year to 10 years.

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In addition, under the common law, it is an offence to bribe a person performing a public duty or for such a person to solicit or accept a bribe. It is also an offence at common law for person in public office to misconduct himself in the course of his duties. As such, any director or employee of a company is prohibited from conspiring with or soliciting a person in public office to misconduct himself in the course of performing his duties.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, our Directors confirmed that none of our employees had conducted any action that would violate the anti-corruption laws in Hong Kong.

Laws and regulations in relation to labour

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

Section 7 of the Mandatory Provident Fund Scheme Ordinance requires every employer of a relevant employee to take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time, Section 7A of the Mandatory Provident Fund Scheme Ordinance requires an employer who is employing a relevant employee to, for cash contribution period occurring after that commencement (i) from the employer's own funds, contribute to the relevant scheme the amount determined in accordance with the Mandatory Provident Fund Scheme Ordinance; and (ii) deduct from the employee's relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with the Mandatory Provident Fund Scheme Ordinance.

OVERVIEW

Our history can be traced back to November 1997 when Ms. Wong founded our Group with her personal financial resources by setting up Solar-Med, a wholly-owned subsidiary of our Company, which commenced business as a medical device distributor in Hong Kong in 1998. During the early stage of business operation of Solar-Med, we mainly supplied medical instruments such as scissors and forceps for surgical operation and general ward usage. In early 2000, we began to supply medical consumables such as biopsy needles and suction tubings to private and public hospitals in Hong Kong and in 2003, we expanded the types of medical consumables to include ligation clips. In 2005, we expanded our product portfolio to include medical equipment such as electric beds and increased our source of revenue by offering after-sale services such as maintenance services to our customers. We further expanded the types of medical consumables in our product portfolio to include needle-free valve in 2014. As at the Latest Practicable Date, we sourced over 10,000 types of medical devices directly from over 40 suppliers. From August 2015 and up to the Latest Practicable Date, we had been successively admitted on the “List of Local Responsible Persons” under the Department of Health for biopsy needles, needleless connectors and ligation clips under the MDACS. Throughout the Track Record Period and up to the Latest Practicable Date, Solar-Med had remained as one of our Company’s operating subsidiaries. In December 2016, we commenced our medical device leasing services.

With the aim to expanding our Group’s customers to include private clinics and other customers in Hong Kong, Sonne International, a wholly-owned subsidiary of our Company, was set up in March 2009.

In addition to sourcing medical devices from our suppliers which mostly comprise overseas medical device manufacturers, we plan to supply our own brand of products through Sonne International. In early 2015, we commenced the development of our hybrid security system, which is now under our “SonneBand” brand; and since mid 2016, we have been researching and developing our own brand of nursing bras that utilises far-infrared technology, which is now under our “FTecHealth” brand. For increasing protection of our Group’s intellectual property and brand awareness, we have registered or have applied for registration of some of our intellectual property. Sonne International is the registered owner of three trademarks, two patents and a registered design of our Group in Hong Kong and a patent for our hybrid security system in the U.S.. As at the Latest Practicable Date, Sonne International had applied for the registration of a patent for our hybrid security system in the European Union. Throughout the Track Record Period and up to the Latest Practicable Date, Sonne International had remained as one of our Group’s operating subsidiaries.

Sonne Technology and Sonne UK, our wholly-owned subsidiaries, were incorporated for the purpose of holding certain trademarks and patents of our Group. Sonne Technology is the registered owner of a trademark of our Group in Hong Kong and a utility model patent for our nursing bra in the PRC. Sonne UK is the registered owner of a trademark of our Group in the European Union. Such trademark is intended to be used on our own brand of nursing bras using far-infrared technology.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table outlines the key milestones in our business development:

November 1997	Set up of Solar-Med
June 1998	Commencement of distribution of medical instruments such as forceps for surgical operation and general ward usage
January 2000	Commencement of distribution of medical consumables such as biopsy needles
2005	Awarded “Dealer of the Year 2004” by a supplier in the business of development of biotherapeutics
July 2005	Commencement of distribution of medical equipment such as electric beds Commencement of offering of after-sale services
March 2009	Set up of Sonne International
2012	Awarded “Quota Achiever” for 2011 by a supplier in the business of medical solutions
2013	Awarded “Outstanding Achievement in Sales” for 2012 by a supplier in the business of medical technologies
Early 2015	Establishment of our in-house R&D department Commencement of the development of our hybrid security system designed for hospitals and elderly care homes
August 2015	Admitted to the “List of Local Responsible Persons” of the Department of Health for the biopsy needles sourced from a particular supplier and listed under the MDACS
September 2015	Registration of a design for the housing of a security tag by the Designs Registry of the Intellectual Property Department in relation to our hybrid security system designed for hospitals and elderly care homes
December 2015	Granted two patents by the Patents Registry of the Intellectual Property Department in relation to our hybrid security system designed for hospitals and elderly care homes
March 2016	Obtained CE certification for our EAS disposable model tag

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Mid 2016	Commencement of development of our own brand of nursing bras that utilises far-infrared technology
July 2016	Set up of Sonne Technology
August 2016	Set up of Sonne UK Admitted to the “List of Local Responsible Persons” of the Department of Health for the needleless connectors sourced from a major supplier and listed under the MDACS
December 2016	Commencement of our medical device leasing services
January 2017	Awarded “Best Practice 2016/2017 – Winner” by a supplier in the business of integrated healthcare services and products
February 2017	Awarded “Acknowledgement of Great Performance” for 2016 by a supplier in the business of medical technologies
March 2017	Admitted to the “List of Local Responsible Persons” of the Department of Health for the ligation clips sourced from a particular supplier and listed under the MDACS
July 2017	Set up of our Company

CORPORATE HISTORY

Set out below are the corporate history and shareholding changes of our major operating subsidiaries:

Solar-Med

Solar-Med, an operating subsidiary of our Company, was incorporated under the laws of Hong Kong with limited liability on 15 October 1997. Upon its incorporation, one fully paid share was allotted and issued to each of the two initial subscribers, being Independent Third Parties. On 18 November 1997, Ms. Wong and her brother, namely Mr. Wong Tin Lok, used their personal resources to acquire one share in Solar-Med each from the two initial subscribers at a consideration of HK\$1.00 per share. On 26 September 2000, Ms. Wong subscribed an additional 1,499,999 new shares in Solar-Med at HK\$1.00 per share. Upon completion of the subscription, Solar-Med was owned as to 99.99993% by Ms. Wong and 0.00007% by Mr. Wong Tin Lok. On 6 August 2002, Mr. Wong Tin Lok transferred the one share held by him in Solar-Med to Ms. Ching, the mother of Ms. Wong and Mr. Wong Tin Lok. Upon completion of the transfer and immediately prior to the Reorganisation, Solar-Med was owned as to 99.99993% by Ms. Wong and 0.00007% by Ms. Ching.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Sonne International

Sonne International, an operating subsidiary of our Company, was incorporated under the laws of Hong Kong with limited liability on 11 March 2009. Upon its incorporation, one fully paid share in Sonne International was allotted and issued to the initial subscriber who is an Independent Third Party. On 31 March 2009, under the instruction of Ms. Wong, the one share in Sonne International, representing its entire issued capital, was transferred from the initial subscriber to Mr. Lee, a member of our senior management, at a consideration of HK\$1.00 which was settled by Ms. Wong and such share was held by Mr. Lee in trust for Ms. Wong. As confirmed by Ms. Wong and Mr. Lee, the said trust arrangement was set up for commercial reasons in order to keep the ownership of Sonne International and its business development confidential.

In mid 2010, it was intended that Dr. Miu, the spouse of Ms. Wong, would participate in the development of the business of Sonne International. As such, on 16 August 2010, Ms. Wong instructed Mr. Lee to transfer the one share in Sonne International to Dr. Miu at a consideration of HK\$1.00. Subsequently, in early 2014, Dr. Miu decided to allocate more of his time to his medical practice and professional training. On 24 February 2014, Dr. Miu decided to transfer the one share in Sonne International back to Ms. Wong at a consideration of HK\$1.00, and at the request of Ms. Wong, Dr. Miu transferred that one share directly to Mr. Lee such that Mr. Lee would hold that one share in trust for Ms. Wong. As confirmed by Ms. Wong and Mr. Lee, the trust arrangement was set up for the same reason as stated above. The aforesaid transfers were properly and legally completed and settled.

Immediately prior to the Reorganisation, Sonne International was wholly-owned by Ms. Wong.

Sonne Technology

Sonne Technology was incorporated under the laws of Hong Kong with limited liability on 4 July 2016. Upon its incorporation, one fully paid share in Sonne Technology was allotted and issued to the initial subscriber, being an Independent Third Party. On the same day, Ms. Wong acquired the one share in Sonne Technology from the initial subscriber at a consideration of HK\$1.00.

Immediately prior to the Reorganisation, Sonne Technology was wholly-owned by Ms. Wong.

Sonne UK

Sonne UK was incorporated under the laws of the United Kingdom as a private company limited by shares on 26 August 2016. Upon its incorporation, one ordinary paid-up subscriber share in Sonne UK was allotted and issued to Ms. Wong.

Immediately prior to the Reorganisation, Sonne UK was wholly-owned by Ms. Wong.

REORGANISATION

Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 July 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, one nil-paid Share was allotted and issued to the initial subscriber, an Independent Third Party, and was subsequently transferred to Ms. Wong on the same day. Upon completion of the Reorganisation, our Company became the holding company of our Group.

Incorporation of A&A Brilliance

A&A Brilliance was incorporated in the BVI with limited liability under the laws of the BVI on 4 July 2017 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 5 July 2017, A&A Brilliance allotted 100 fully paid shares to our Company, pursuant to which A&A Brilliance became a direct wholly-owned subsidiary of our Company. Upon completion of the Reorganisation, A&A Brilliance became the intermediate holding company of our Group.

Acquisition of our operating subsidiaries

Sonne UK

On 24 July 2017, as part of the Reorganisation, our Company, through A&A Brilliance, acquired one share in Sonne UK, representing its entire issued share capital, from Ms. Wong in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong and such acquisition was properly and legally completed and settled on the same date. Upon completion of the above acquisition, Sonne UK became a wholly-owned subsidiary of our Company.

Solar-Med

On 24 July 2017, as part of the Reorganisation, our Company, through A&A Brilliance, acquired:

- (a) 1,499,999 shares in Solar-Med, representing approximately 99.99993% of its issued share capital, from Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong and credited as fully paid the nil-paid subscriber Share held by Ms. Wong; and
- (b) one share in Solar-Med, representing approximately 0.00007% of its issued share capital, from Ms. Ching, in consideration of which (under the direction of Ms. Ching) our Company allotted and issued one fully paid Share to Ms. Wong.

The aforesaid acquisitions were properly and legally completed and settled on the same date and upon completion of the above acquisitions, Solar-Med became a wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Sonne International

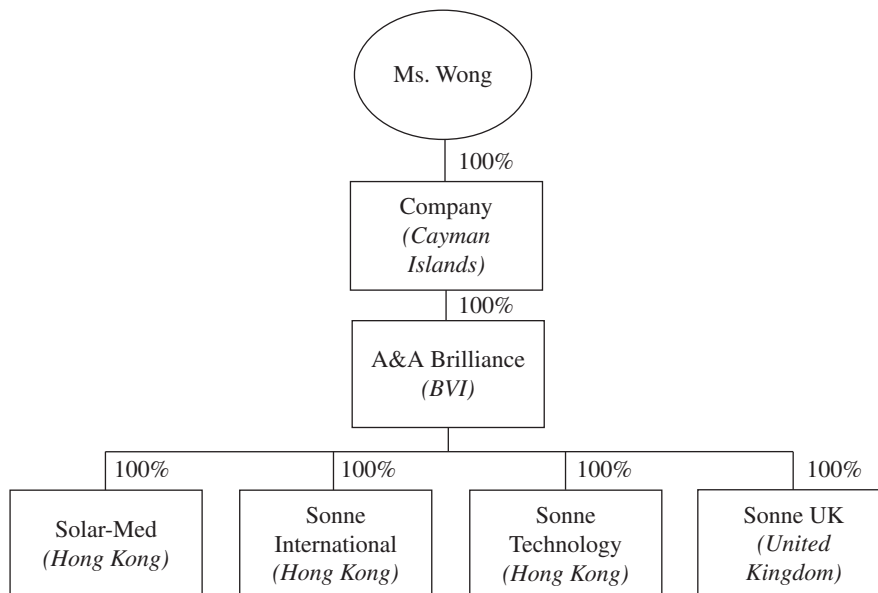
On 24 July 2017, as part of the Reorganisation, our Company, through A&A Brilliance, acquired one share in Sonne International, representing its entire issued share capital, from Mr. Lee who held the one share in Sonne International in trust for Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong and such acquisition was properly and legally completed and settled on the same date. Upon completion of the above acquisition, Sonne International became a wholly-owned subsidiary of our Company.

Sonne Technology

On 24 July 2017, as part of the Reorganisation, our Company, through A&A Brilliance, acquired one share in Sonne Technology, representing its entire issued share capital, from Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong and such acquisition was properly and legally completed and settled on the same date. Upon completion of the above acquisition, Sonne Technology became a wholly-owned subsidiary of our Company.

Corporate structure

The corporate structure of our Group after the acquisitions of our operating subsidiaries described above was as follows:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pre-IPO Investments

Our Company entered into the Infinite Crystal Subscription Agreement with Infinite Crystal and the Akatsuki Subscription Agreement with Akatsuki on 31 July 2017 and 1 August 2017, respectively. Upon completion of the Pre-IPO Subscription Agreements, our Company was owned as to 88.2% by Ms. Wong, 6.4% by Infinite Crystal and 5.4% by Akatsuki.

The following table summarises the details of the Pre-IPO Investments:

Name of the Pre-IPO Investors	Infinite Crystal	Akatsuki
Background and fund sources of the Pre-IPO Investors	<p>Infinite Crystal is an investment holding company incorporated in the BVI with limited liability on 4 July 2017, and is owned as to approximately 61.11% by Mr. Chiu, our non-executive Director, and approximately 38.89% by Sunstrike Investments Limited which is indirectly owned as to approximately 91.33% by Mr. Yuan and approximately 8.67% by Ms. Liu.</p> <p>Mr. Yuan has extensive experience in the capital markets with investments in listed companies in Hong Kong and is an indirect majority shareholder of a number of corporations licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as the case may be). Ms. Liu is the spouse of Mr. Yuan.</p> <p>Ms. Wong, our Controlling Shareholder, became acquainted with Mr. Chiu through referral by a mutual business acquaintance and with Sunstrike Investments Limited, Mr. Yuan and Ms. Liu through referral by Mr. Chiu. The source of funding of Infinite Crystal was from the personal resources of Mr. Chiu, Mr. Yuan and Ms. Liu.</p>	<p>Akatsuki is a company incorporated in Japan whose shares have been listed on the Tokyo Stock Exchange Inc. (stock code: 8737) since 2013, and is engaged in the business of securities and real estate transactions in Japan.</p> <p>Ms. Wong, our Controlling Shareholder, became acquainted with Akatsuki through referral by Infinite Crystal. The source of funding of Akatsuki was from its internally generated resources.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Relationship with our Group	Save for the Pre-IPO Investments and Mr. Chiu's directorship in our Company, as at the Latest Practicable Date, Infinite Crystal, Akatsuki, Mr. Chiu, Mr. Yuan, Ms. Liu and their respective associates did not have any past or present relationships, including but not limited to family, trust, business, employment relationships or any agreements, arrangements or understanding with our Group and/or our connected persons.	
Reason why the Pre-IPO Investors invested in our Group	The Pre-IPO investors believe that the Hong Kong healthcare sector is expanding and will continue to do so due to the aging population and the public's awareness on health issues and their willingness to invest in healthcare, all of which indicate there is growth potential in the business of our Group. In view of the market trend and the prospects of our business growth, the Pre-IPO Investors decided to invest in our Group.	
Relevant Pre-IPO investment agreements	Infinite Crystal Subscription Agreement	Akatsuki Subscription Agreement
Amount of considerations paid	HK\$7,632,000	HK\$6,500,000
Payment dates of considerations	31 July 2017	1 August 2017
Basis of determination of considerations	The considerations were determined based on arm's length negotiations between the parties with reference to the total earnings of our Group as shown in its unaudited management accounts for the year ended 31 March 2017.	
Pre-IPO Subscription Shares	64	54
Percentage of shareholding in our Company immediately upon completion of the relevant Pre-IPO Subscription Agreement but before completion of the Capitalisation Issue and the Share Offer	6.40%	5.40%

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Number of Shares to be held and percentage of shareholding in our Company upon the Listing (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme)	40,448,000 Shares, approximately 5.06%	34,128,000 Shares, approximately 4.26%
Cost per Share <i>(Note 1)</i>	Approximately HK\$0.19 per Share	
Discount to the mid-point of the Offer Price range	Approximately 41.54%	

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights
(Note 2)

The Pre-IPO Investors are entitled to the following special rights which will be automatically terminated upon the Listing and do not apply to the Reorganisation, the Capitalisation Issue, any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme:

- (a) Right to nominate a non-executive Director – Subject to compliance with all applicable laws and/or regulations of all applicable jurisdictions and the Stock Exchange, Infinite Crystal will be entitled to nominate one non-executive Director to our Board upon completion of the Infinite Crystal Subscription Agreement. As at the Latest Practicable Date, Mr. Chiu was nominated by Infinite Crystal and was appointed as a non-executive Director.
- (b) Anti-dilution rights – In the event that our Company proposes to issue equity securities (including any securities convertible into, or exchangeable for, such security) before the Listing, the Pre-IPO Investors will have the right and option, but not an obligation, to participate in all such future issuances by our Company of equity securities on a pro rata basis solely for maintaining its percentage shareholding in our Company.
- (c) The put options – Ms. Wong, being the guarantor in the Pre-IPO Subscription Agreements and our Controlling Shareholder, irrevocably granted a put option to each of the Pre-IPO Investors to require herself (or her nominee(s)) to purchase the relevant Pre-IPO Subscription Shares subscribed by the Pre-IPO Investor under the relevant Pre-IPO Subscription Agreement. The put options can be exercised by the Pre-IPO Investors if:
 - (1) the Listing does not take place on or before 31 December 2018; or
 - (2) when our Company notifies the Pre-IPO Investors that it has ceased to pursue the Listing,

whichever occurs first, or such later date to be agreed between our Company and the Pre-IPO Investors after the occurrence of the event as referred to under (1) or (2) above in writing (the “**Put Option Expiry Date**”).

The above put options will lapse upon the Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The call options – Each of the Pre-IPO Investors irrevocably granted a call option to Ms. Wong to require itself to sell to Ms. Wong (or her nominee(s)) the relevant Pre-IPO Subscription Shares subscribed by the Pre-IPO Investor under the relevant Pre-IPO Subscription Agreement. The call options can be exercised by Ms. Wong if:

- (1) the Listing does not take place on or before the Put Option Expiry Date; and
- (2) the put options have not been exercised by the Pre-IPO Investors.

Even if the put options have not been exercised by the Pre-IPO Investors after the Put Option Expiry Date, the call options will not become exercisable by Ms. Wong unless our Company has withdrawn its application for Listing.

The above call options will lapse upon the Listing.

Pursuant to each of the Pre-IPO Subscription Agreements, the option price payable by a Pre-IPO Investor is the sum of (i) the amount of the consideration paid by the relevant Pre-IPO Investor, and (ii) the interests accrued on the consideration from and including 1 August 2017 to and including the date of completion of the relevant Pre-IPO Subscription Agreement pursuant to the exercise of the put option or call option (as the case may be) at 6% per annum.

Use of proceeds from
the Pre-IPO
Investments

The aggregate proceeds, after deducting all costs and expenses incurred, amounted to approximately HK\$14,132,000.

As at the Latest Practicable Date, approximately 1.0% of the proceeds had been utilised for payment of part of the expenses in relation to the Listing. The remaining portion of the proceeds will be utilised (i) as general working capital; and (ii) to finance partly the costs and expenses for strategic acquisition in the near future.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Strategic benefits to our Company	Our executive Directors are of the view that our Company could benefit from the additional capital provided by the Pre-IPO Investors as well as the Pre-IPO Investors' commitment to our Group, as their investments in our Group demonstrate their confidence in our business development and prospects. In addition, the Pre-IPO Investors could bring strategic benefits to our Group because of (i) Akatsuki's established market presence, connections and network in the securities industry in Japan and its management and investment experience of an elderly care fund in Japan, which may help our Group identify potential investors who may have investment interest in the healthcare sector when we have future funding needs; and (ii) the connections and networking in Hong Kong and the PRC which Mr. Chiu and Mr. Yuan established through their respective investments and work experience, which may assist our Group in obtaining financing in the future as and when fund raising and financing needs may arise for further business expansion. Mr. Chiu, our non-executive Director, has also undertaken to advise on matters relating to investors' relations to our Group based on his managerial experience in the investment and finance industry.		
Lock-up	All the Pre-IPO Subscription Shares held by the Pre-IPO Investors are subject to a lock up period of six months from the Listing Date.		
Public float	<table><tr><td>The Pre-IPO Subscription Shares held by Infinite Crystal will not be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as Mr. Chiu, holding approximately 61.11% interest in Infinite Crystal, is a non-executive Director.</td><td>The Pre-IPO Subscription Shares held by Akatsuki will be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as (i) Akatsuki is an Independent Third Party and is not a core connected person of our Company; (ii) the Pre-IPO Subscription Shares held by Akatsuki are not financed directly or indirectly by any core connected person(s) of our Company; and (iii) Akatsuki will not become a Substantial Shareholder upon the Listing.</td></tr></table>	The Pre-IPO Subscription Shares held by Infinite Crystal will not be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as Mr. Chiu, holding approximately 61.11% interest in Infinite Crystal, is a non-executive Director.	The Pre-IPO Subscription Shares held by Akatsuki will be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as (i) Akatsuki is an Independent Third Party and is not a core connected person of our Company; (ii) the Pre-IPO Subscription Shares held by Akatsuki are not financed directly or indirectly by any core connected person(s) of our Company; and (iii) Akatsuki will not become a Substantial Shareholder upon the Listing.
The Pre-IPO Subscription Shares held by Infinite Crystal will not be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as Mr. Chiu, holding approximately 61.11% interest in Infinite Crystal, is a non-executive Director.	The Pre-IPO Subscription Shares held by Akatsuki will be considered as part of the public float of our Shares immediately after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules as (i) Akatsuki is an Independent Third Party and is not a core connected person of our Company; (ii) the Pre-IPO Subscription Shares held by Akatsuki are not financed directly or indirectly by any core connected person(s) of our Company; and (iii) Akatsuki will not become a Substantial Shareholder upon the Listing.		

Notes:

1. This is derived based on the assumption that the Pre-IPO Subscription Shares will be held by the Pre-IPO Investors upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme).
2. These special rights granted to the Pre-IPO Investors shall cease to have any effect upon the Listing (or listing on other public stock exchanges as agreed between the parties to the Pre-IPO Subscription Agreements) if the Listing will take place before 31 December 2018.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Sole Sponsor's confirmation

Given that (a) our Directors have confirmed that the terms of the Pre-IPO Investments (including the considerations under the Pre-IPO Subscription Agreements) were determined based on arm's length negotiations between the parties with reference to the total earnings of our Group as shown in the unaudited financial statements as at 31 March 2017; and (b) the considerations under the Infinite Crystal Subscription Agreement and the Akatsuki Subscription Agreement were fully settled on 31 July 2017 and 1 August 2017, respectively, which were more than 28 clear days before the date of the first submission of our Company's application for the Listing, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with the guidance letters (HKEx-GL29-12 and HKEx-GL43-12) on Pre-IPO investments issued by the Stock Exchange.

Share swap between Ms. Wong and B&A Success

On 28 February 2018, B&A Success, a company wholly-owned by Ms. Wong, acquired 88.20% of the issued share capital of our Company from Ms. Wong, in consideration of which B&A Success allotted and issued 99 fully paid shares to Ms. Wong. Upon completion of the above acquisition, our Company was owned as to 88.20% by B&A Success, 6.40% by Infinite Crystal and 5.40% by Akatsuki.

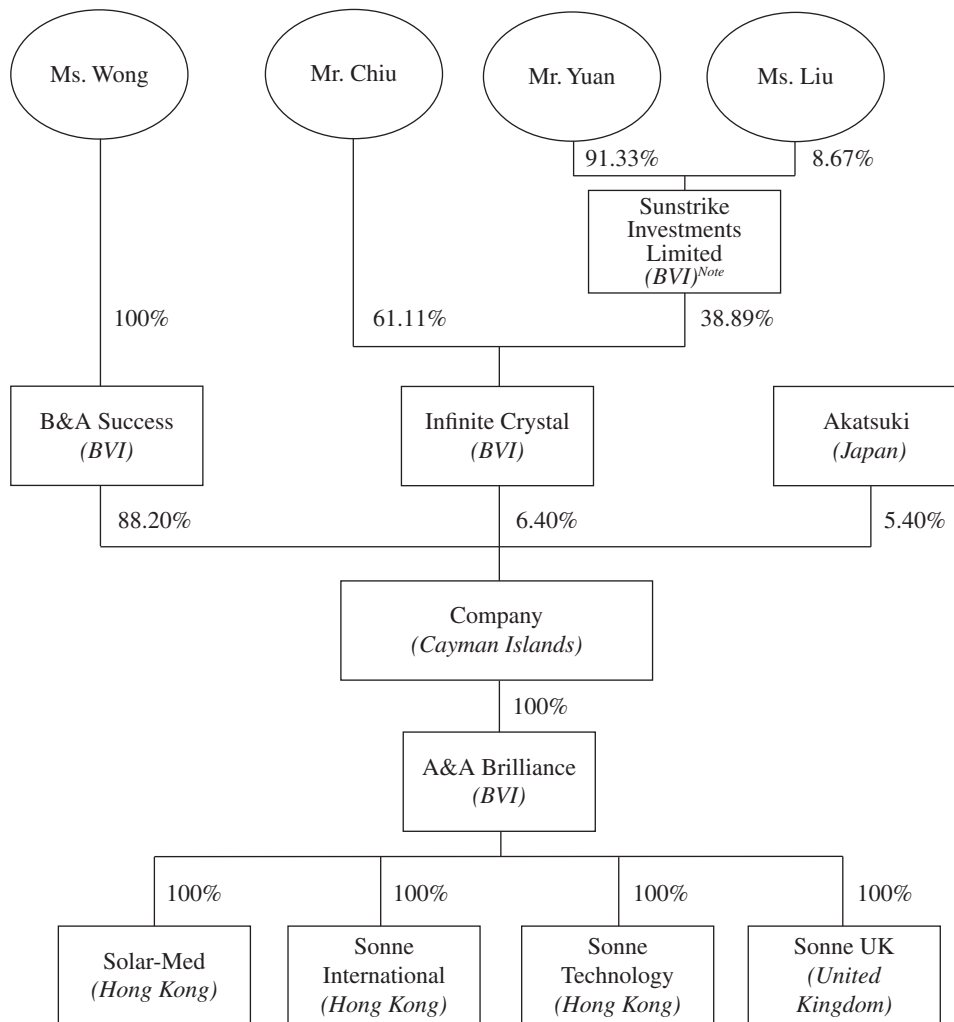
As confirmed by our executive Directors, save as the put options and the call options disclosed above, there were no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Regulatory approval

We are not required to obtain any regulatory approval for the Reorganisation in Hong Kong.

Upon completion of the Reorganisation and immediately prior to the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), the corporate structure of our Group was as follows:



Note: Sunstrike Investments Limited is indirectly owned as to approximately 91.33% by Mr. Yuan and approximately 8.67% by Ms. Liu, both of whom are Independent Third Parties.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

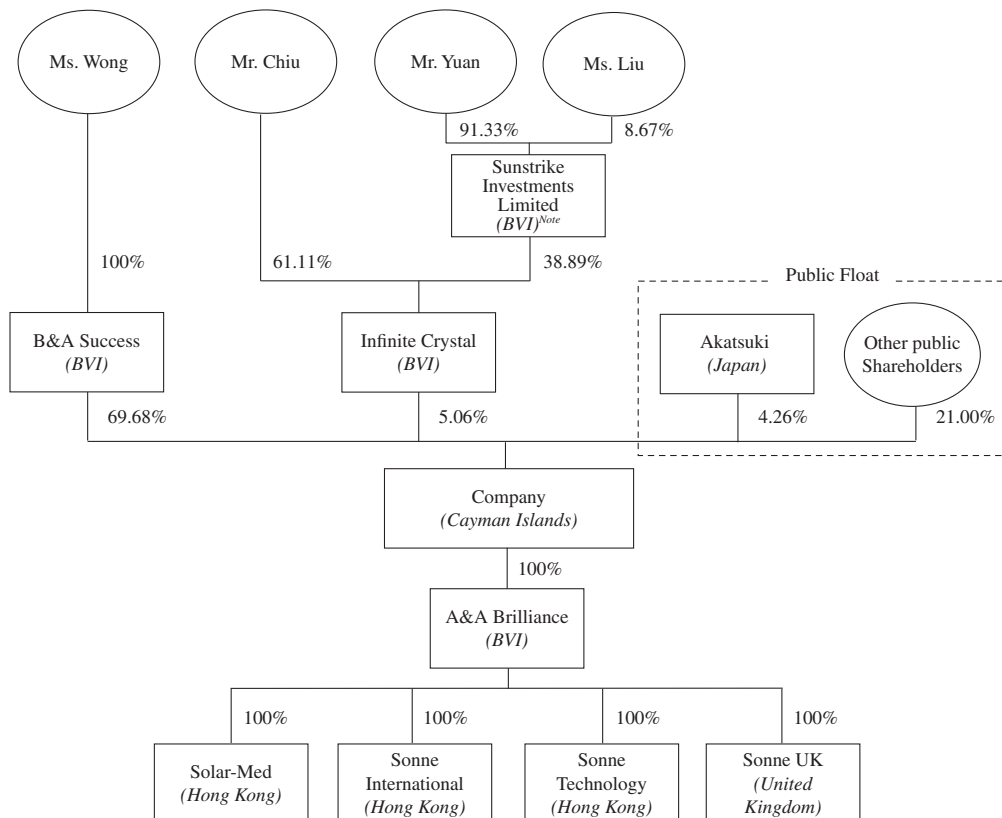
CAPITALISATION ISSUE

Immediately prior to the Share Offer, the authorised share capital of our Company will be increased from HK\$380,000 to HK\$80,000,000 by the creation of additional 7,962,000,000 Shares.

Conditional on the share premium account of our Company being credited with the proceeds from the Share Offer, HK\$6,319,990 will be capitalised from the share premium account of our Company and applied in paying up in full 631,999,000 Shares for the allotment and issuance to the existing Shareholders, being B&A Success as to 557,423,118 Shares, Infinite Crystal as to 40,447,936 Shares and Akatsuki as to 34,127,946 Shares, on or prior to the Listing.

CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme).



Note: Sunstrike Investments Limited is indirectly owned as to approximately 91.33% by Mr. Yuan and approximately 8.67% by Ms. Liu, both of whom are Independent Third Parties.

BUSINESS

OVERVIEW

We are an established medical device distributor with over 19 years of experience in the medical device market in Hong Kong. As an integral part of our distribution business, we also provide one-stop medical device solutions, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance. To satisfy our customers' specifications and requirements, as at the Latest Practicable Date, we sourced over 10,000 types of medical devices directly from over 40 suppliers which mostly comprised overseas medical device manufacturers and we supplied these medical devices together with the necessary medical devices solutions to a large number of customers mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong. We believe that our years of experience in the medical device market, our in-depth product knowledge and our relationship with reputable manufacturers of medical devices allow us to offer suitable medical device solutions to meet our customers' specifications and requirements.

The variety of medical device products we supply to our customers is broadly categorised into four major types, namely: (i) medical consumables such as needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products; (ii) medical equipment such as electric beds and mattresses, stretchers, furniture used in wards, respiratory care products and blood warmers; (iii) medical instruments such as anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery; and (iv) other healthcare products such as hand sanitisers which are ancillary in nature. We also offer after-sale services, technical support and training services, medical device leasing services and quality assurance services to our customers. The table below sets out our revenue of our products and services during the Track Record Period:

	For the year ended 31 March				For the seven months ended 31 October	
	2016		2017		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Medical consumables	27,183	51.4	33,578	65.0	22,420	72.4
Medical equipment	19,725	37.3	13,843	26.8	6,613	21.4
Medical instruments	3,825	7.2	2,454	4.8	876	2.8
Other healthcare products	–	–	74	0.1	–	–
Services ^(Note)	2,143	4.1	1,708	3.3	1,049	3.4
Total	52,876	100.0	51,657	100.0	30,958	100.0

Note: Our services which generated revenue mainly included maintenance services and medical device leasing services provided during the Track Record Period.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we sourced medical devices from over 40 suppliers which mostly comprised overseas medical device manufacturers. We purchase a wide spectrum of medical devices directly from these overseas medical device manufacturers and we believe we have established ourselves as a trusted distributor for these suppliers. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our purchases from our five largest suppliers amounted to approximately HK\$27.4 million, HK\$20.5 million and HK\$13.0 million, respectively, which accounted for approximately 92.2%, 89.1% and 92.7% of our total purchases, respectively. During the same periods, our purchases from our largest supplier amounted to approximately HK\$13.5 million, HK\$7.1 million and HK\$5.4 million, respectively, which accounted for approximately 45.4%, 31.1% and 38.7% of our total purchases, respectively. As at the Latest Practicable Date, we had established a business relationship of over 12 years with four of our five largest suppliers during the Track Record Period.

As at the Latest Practicable Date, we served over 100 customers in Hong Kong. Public hospitals and private hospitals in Hong Kong constitute our core customer base and accounted for approximately 93.0%, 92.8% and 93.0% of our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to our five largest customers amounted to approximately HK\$27.3 million, HK\$20.9 million and HK\$12.1 million, respectively, which accounted for approximately 51.7%, 40.4% and 39.0% of our total revenue, respectively. During the same periods, our revenue attributable to our largest customer amounted to approximately HK\$8.0 million, HK\$9.1 million and HK\$3.2 million, respectively, which accounted for approximately 15.1%, 17.6% and 10.5% of our total revenue, respectively. As at the Latest Practicable Date, we had established a business relationship of over 16 years with all of our five largest customers during the Track Record Period, all of which are hospitals in Hong Kong. For further details on our revenue generated by type of customers during the Track Record Period, please refer to the paragraph headed “Our products and services – Revenue contributed by our customers” of this section below.

We also pride ourselves on our ability in product development. We have continuously placed emphasis on product development through our in-house R&D efforts. Our R&D team is led by Ms. Wong, our founder, chairman, chief executive officer, executive Director and Controlling Shareholder, and Mr. Lau Wai Man, our assistant marketing and project manager, who is knowledgeable in biomedical engineering. During the Track Record Period, we utilised far-infrared technology, which helps relieve pain and stress, improve blood circulation and maintain body temperature, to develop (i) a nursing bra which is expected to improve lactation and prevent breast duct obstruction, and (ii) a far-infrared pillow infused with silicone gel that provides a cooling effect for improving sleep quality. In addition to the above healthcare products, we have developed a hybrid solution system by utilising a combination of technologies, such as EAS and RFID, for hospitals and elderly care homes to prevent missing of patients and medical equipment or elderly residents (as the case may be). In January 2016, we collaborated with a department of the HK Government (whose health sector division is responsible for providing engineering support to public hospitals) to conduct an on-site demonstration testing and commissioning of our security system for use in a public hospital.

BUSINESS

For further details of our product development, please refer to the paragraph headed “Product development” of this section below. Leveraging on our experience in sales of medical devices, our product know-how and our relationship with reputable manufacturers of medical devices, we believe we are well-positioned to assimilate technological advances, strengthen our product development efforts and expand our product portfolio with functionality that addresses our customers’ requirements.

OUR COMPETITIVE STRENGTHS

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

We possess an established reputation in the medical device industry in Hong Kong

Our history could be traced back to 1998 when Solar-Med, our key operating subsidiary, commenced business as a medical device distributor in Hong Kong. With over 19 years of experience in the medical device market in Hong Kong, we believe that we have attained substantial expertise and product know-how for medical devices which satisfy internationally recognised quality assurance standards and we have evolved to become one of the established medical device distributors in Hong Kong. Throughout the years, we have expanded our product portfolio to a myriad of medical devices comprising medical consumables, medical equipment and medical instruments sold to a wide array of customers, covering (i) all private hospitals and substantially all of the public hospitals in Hong Kong; (ii) over 30 private clinics; and (iii) other customers (such as non-profit organisations, universities and individual end-users) in Hong Kong. We have also expanded our customer base as well as an extensive procurement network. We are able to maintain a close relationship with our customers and suppliers, which our Directors believe is mainly attributable to our integrity and professionalism in customer services, our product know-how, our strong marketing network and the increasing establishment of our business presence in the industry.

Our Directors believe that by leveraging our established reputation, strong presence in the industry, extensive product portfolio offerings and strong customer serving capabilities, we are well positioned to compete with our existing or potential competitors, win new customers, maintain close business relationships with our existing customers and suppliers as well as seize new opportunities in the medical device market in Hong Kong. Furthermore, our Directors believe that our continuous effort in sales and marketing activities, including our participation in various international exhibitions, trade shows and conventions such as “HK Baby Product Fair”, “The Fourth Lifestyle Expo in Dubai, U.A.E.”, “China (Shanghai) International Medical Devices Exhibition” and “Hospital Authority Convention 2017”, has significantly promoted our corporate image in the medical device industry in Hong Kong.

We offer an extensive product portfolio and possess strong sourcing capabilities

We purchase a wide spectrum of medical devices directly from an extensive procurement network of overseas medical device manufacturers for which we have established ourselves as their trusted distributor with a stable and strategic relationship. As at the Latest Practicable Date, we distributed over 10,000 types of medical devices which mainly originate from the United States, Germany, France, Mexico, Malaysia and the PRC. During the Track Record Period and up to the Latest Practicable Date, we sourced medical devices from over 40 suppliers which are mostly overseas medical device manufacturers. Our extensive product portfolio includes medical consumables, medical equipment, medical instruments and other healthcare products covering a wide range of medical devices such as electric beds and mattresses, stretchers, furniture used in wards, respiratory care products, blood warmers, needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products, anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery.

We provide quality products and customised services which place our Group in a favourable position to provide one-stop medical device solutions in Hong Kong

Our Group has a team of experienced sales personnel who possess in-depth knowledge of the products we sell and our customers' requirements. We assign sales representatives to hospitals, which are our key customers, to manage the marketing and sales of our products and provide customised services, including on-site product training and technical support and follow up on customers' feedback. From time to time, we invite seasoned overseas medical professionals as speakers in our training courses, seminars and workshops for nurses and medical staff of our customers covering topics such as medical hygiene, medical technologies and procedures to keep our customers abreast of the latest development of medical devices and equip themselves with practical skills and knowledge on medical devices we distribute. Some of these courses were accredited by the Nursing Council of Hong Kong for continuing nursing education. These training courses are provided free of charge as a way to contribute to the medical community. It will also enhance our brand recognition and further deepen customers' confidence towards our Group's services. In addition, we carry out market trend analysis and share market intelligence, discuss and exchange ideas with our customers to provide more choices of new medical devices that suit our customers' specifications and requirements.

We have been admitted to the "List of Local Responsible Persons" of the Department of Health for ligation clips, biopsy needles and needleless connectors sourced from three major suppliers during the Track Record Period and listed with the Department of Health under the MDACS. As a "local responsible person", we serve as the hub of communications between the HK Government, ultimate end-users, manufacturers and importers, such that we can provide quality services to the public to ensure safe and efficacious use of these medical devices.

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We also offer other services such as after-sale services, quality assurance and medical device leasing services to our customers. Please refer to the paragraph headed “Our products and services – Our services” of this section below for further details of our customised services. Our proactive marketing approach coupled with our insights in the medical device market allow us to offer customised services tailored to the needs of our customers and provide our customers with a one-stop medical device solutions in Hong Kong.

We have a broad and diverse customer base and stable relationships with our major customers

With our established market presence, our Group has established a broad and diverse customer base of over 100 customers comprising (i) all private hospitals and substantially all of the public hospitals in Hong Kong; (ii) over 30 private clinics; and (iii) other customers (such as non-profit organisations, universities and individual end-users) in Hong Kong. Public hospitals and private hospitals in Hong Kong constitute our core customer base which accounted for approximately 93.0%, 92.8% and 93.0% of our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively.

Our Directors believe that this broad and diverse customer base serves as an effective platform for us to launch new branded products as our customers are more receptive to our reputation in the medical device market in Hong Kong, which in turn enhances our market share and market position. Our broad customer base also allows us to capture the latest market development trends and our customers’ preferences, which help us identify new products to enrich our existing product portfolio and satisfy our customers’ requirements. In addition, our Directors believe that by striving to satisfy all of our customers’ needs on a continual basis and improve our quality of service, we are able to establish close ties and achieve further and broader collaborations with our customers, which make us well-positioned to obtain more sales orders from hospitals that are our key customers. As at the Latest Practicable Date, we had established a business relationship of over 16 years with all of our five largest customers during the Track Record Period, all of which are hospitals in Hong Kong. For further details on our customers, please refer to the paragraph headed “Our customers” of this section below.

We play a key role as a medical device distributor capable of providing one-stop medical device solutions to our customers

Our Directors consider that as a medical device distributor in Hong Kong capable of providing one-stop medical device solutions, we could induce our customers to purchase medical devices directly from us rather than our suppliers because: (a) most of our suppliers of medical devices are overseas manufacturers located in different foreign countries and have to rely on distributors such as our Group to cover and distribute to markets outside their own countries; (b) we are able to provide our customers with one-stop medical device solutions with various value-added services which may not be readily provided by our suppliers locally; (c) we serve as a bridge between our overseas suppliers of medical devices and our customers on matters in relation to medical devices; and (d) we have developed a close relationship with our customers and therefore we understand our customers’ needs. With over 19 years of experience

BUSINESS

in the medical device market in Hong Kong, we are capable of providing one-stop medical device solutions, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance. We believe our years of experience in the medical device market, our in-depth product knowledge and our relationship with reputable manufacturers of medical devices allow us to offer suitable medical device solutions to meet our customers' specifications and requirements. For further details, please refer to the paragraph headed "Business – Value chain, our business model and operation" of this prospectus.

We possess the product know-how and expertise for product development

Leveraging on our years of experience in sales of medical devices, our product know-how and our relationship with reputable suppliers of medical devices, we believe we are well-positioned to assimilate technological advances, strengthen our product development efforts and expand our product portfolio with functionality that addresses our customers' requirements. Our close connections with our overseas medical device suppliers also provide us with valuable market information and intelligence in relation to the latest technology, industry trends and market development, which enhance our ability to adapt to changing market needs for product development. As such, we have continuously placed emphasis on product development through our in-house R&D efforts. During the Track Record Period, we utilised far-infrared technology, which helps relieve pain and stress, improve blood circulation and maintain body temperature, to develop (i) a nursing bra which is expected to improve lactation and prevent breast duct obstruction, and (ii) a far-infrared pillow infused with silicone gel that provides a cooling effect for improving sleep quality. In addition to the above healthcare products, we have developed a hybrid security system by utilising a combination of technologies, such as EAS and RFID, for hospitals and elderly care homes to prevent missing of patients and medical equipment or elderly residents (as the case may be). In January 2016, we collaborated with a department of the HK Government (whose health sector division is responsible for providing engineering support to public hospitals) to conduct an on-site demonstration, testing and commissioning of our security system for use in a public hospital. For further details of our product development, please refer to the paragraph headed "Research and development – Product development" of this section below.

Our experienced management has a proven track record in achieving growth in revenue

We have an experienced, dedicated and capable management team, led by Ms. Wong, our founder, chairman, chief executive officer, executive Director and Controlling Shareholder, who has been instrumental in spearheading the growth of our Group. Ms. Wong has accumulated over 25 years of experience in sales of medical devices and possess in-depth knowledge in the medical device industry in Hong Kong. Ms. Wong's experience and leadership have enabled our Group to understand market dynamism in the industry and maintain close business relationship with our key suppliers and customers. In addition, Mr. Lee, our business development manager, has over 19 years of experience in medical device industry. Ms. Lam Oi Lin, our sales manager, has over 17 years of experience in sales and marketing of medical devices. Our management team also comprises different teams

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responsible for different areas of product procurement, sales and marketing, warehouse and transportation management and product development. Please refer to the section headed “Directors, senior management and staff” of this prospectus for further details and biographies of our Directors and senior management. Our management and operational team comprises members with background in biomedical engineering, biology, accounting and business administration, business management, manufacturing and trading of medical device as well as R&D of medical devices. Over the years, our management team has established close relationships with our customers and suppliers, accumulated in-depth knowledge of the medical device industry and stayed abreast of industry development and market trends.

OUR BUSINESS STRATEGIES

We intend to enhance our market share and become one of the major medical device distributors in Hong Kong by implementing the following strategies:

Further penetrate the medical device market through enhancing our quality value-added services and sales and marketing activities

According to the Frost & Sullivan Report, market demand for medical devices is projected to increase at a CAGR of approximately 6.1% from 2017 to 2021 due to the aging population, rising healthcare expenditure of the HK Government and continuous technology innovation in medical device market. For further details of our growth drivers, please refer to the paragraph headed “Industry Overview – Hong Kong medical device market – Growth drivers of Hong Kong medical device market” of this prospectus. Leveraging on our current sourcing capability and our extensive product portfolio, we plan to further penetrate the medical device market by enlarging our customer base and enhancing our market presence.

During the Track Record Period, we provided maintenance services and medical device leasing service as a source of our revenue. In December 2016, we started to offer our airway clearance machines under our medical device leasing service for lease to individual customers. For the year ended 31 March 2017 and the seven months ended 31 October 2017, the revenue from our medical device leasing services amounted to approximately HK\$58,000 and HK\$86,000, respectively.

Although the revenue contribution of our service segment was not significant during the Track Record Period, our Directors consider that our ability to provide quality value-added services, details of which are set out in the paragraph headed “Our products and services – Our services” of this section below, is conducive to our success in the Hong Kong medical device market. According to the Frost & Sullivan Report, our ability to provide quality service is a key factor that distinguishes us from other medical product distributors as it allows us to strengthen our relationship with existing customers, attract new customers and ultimately enhance our competitiveness in the medical device market in Hong Kong. Hence, our Directors consider that it is imperative to strengthen our services to be provided to our customers by hiring sufficient number of additional staff to support our need for organic business growth, details of our strategies to enhance our services and sales and marketing activities are set out below:

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- (i) *upgrading our maintenance service through purchasing maintenance equipment*: We plan to purchase (a) two electrical safety analysers for testing of electric beds such as battery powered insulation testing, earth/ground bond testing as well as touch and point-to-point leakage testing and (b) one machine for resharpening medical instruments such as surgical knives, operating scissors and dissecting scissors used for medical procedures and surgeries. As at the Latest Practicable Date, we owned one electrical safety analyser for testing of electric beds. During the Track Record Period, since we did not own any resharpening machine, we would arrange our customers' medical instruments to be sent back to the relevant suppliers for resharpening if they were under warranty, otherwise we would send them to other third party resharpening service providers when our customers required resharpening services for their medical instruments. By owning more maintenance equipment, we aim to act as a one-stop solution provider to provide more efficient maintenance service by ourselves so as to attract more customers to purchase our electric beds and medical instruments. Based on the quotations provided by the relevant suppliers, the total cost of the additional maintenance equipment we plan to purchase is estimated to be approximately HK\$0.1million which will be financed by the net proceeds from the Share Offer. We currently have two service engineers and we plan to recruit another service engineer to cope with our expansion of our maintenance services as described above;
- (ii) *enlarging the scale of our medical device leasing service*: According to the Frost & Sullivan Report, (a) chronic respiratory diseases will continue to be a major cause of mortality in Hong Kong due to smoking prevalence and, air pollution and aging population in Hong Kong; (b) patients with acute and chronic respiratory conditions could be benefited from the airway clearance therapy which has been prescribed to clear airway secretions of patients with respiratory complications associated with more than 500 diseases and conditions including chronic obstructive pulmonary disease; and (c) patients under comprehensive social security assistance scheme are eligible to apply for subsidy for leasing our airway clearance machines. Chronic obstructive pulmonary diseases caused approximately 27,000 of inpatient discharges and deaths in Hong Kong in 2015. In view of the above, our Directors believe that there will be sufficient demand for our airway clearance machine leasing service.

As at the Latest Practicable Date, we owned 11 airway clearance machines, of which two were being leased, and two were being used for trial use purpose. From November 2017 to January 2018, to further promote the use of airway clearance machines for our medical device leasing services, we had provided an airway clearance machine to an elderly care home in Kwai Chung, a public hospital in Cheung Sha Wan, a public hospital in Yuen Long and a public hospital in Tuen Mun respectively for trial use purpose.

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Based on the quotations provided by the relevant suppliers, we plan to utilise approximately HK\$2.4 million of the net proceeds from the Share Offer to purchase another 40 airway clearance machines, of which 30 are intended for lease and 10 are for trial use purpose. As we intend to expand our medical device leasing service, we also plan to recruit a physiotherapist who can better understand and serve the needs of the potential customers of our airway clearance machines. Our Directors believe that with the physiotherapist's expertise and professional network, we can enhance our brand recognition and further deepen customers' confidence towards our Group's products and services.

- (iii) *soliciting more product sales opportunities through the provision of home health nursing services*: with an aim to increase our sales, we plan to hire an enrolled nurse to promote our medical products while providing home health nursing services especially for the patients undergoing rehabilitation. Such services include patient education and training, assessment of patients' health needs, environmental modification advisory services, advising on the usage of our products and aseptic techniques, and other healthcare support services to patients with disabilities and special needs so as to improve their independence and quality of life. These services will be provided free of charge as a way to strengthen our customers' trust and further promote the sales of our Group's products. Our Directors therefore believe that the provision of home health nursing service is complementary to our core business as a medical device distributor. Through the provision of these services by a healthcare professional, we will be able to thoroughly understand their needs and effectively promote our medical consumables (such as catheter kits and drainage kits for patients with recurrent pleural effusion, ascites shunts for patients with refractory ascites, luer connectors, feeding tubes and pumps, syringes, and other home healthcare accessories of different specifications, applications and designs) that suit the patients' specific needs; and

- (iv) *strengthening our capability to provide timely delivery of our products*: we plan to establish an in-house logistics team equipped with our own delivery trucks to provide better logistics support to our customers in the second quarter of 2019 so as to cope with our business expansion. We are currently engaging independent transportation service providers for product delivery to our customers. We consider it is necessary to establish an in-house logistics team for our long-term business development so as to minimise the interruption risk to product delivery, even for small quantity and/or short notice delivery. Please also refer to the paragraph headed "Risk factors – Risk relating to our business – Our operation is subject to transportation services rendered by third parties" of this prospectus. Having our own in-house logistics team also allows us to provide customers with flexible logistics solutions and timely delivery services as a dedicated and reliable medical device supplier in the market. Based on the quotations provided by the relevant suppliers, the estimated cost of purchasing two delivery trucks for our in-house logistics team is approximately HK\$0.7 million, which is expected to be financed by the net proceeds from the Share Offer.

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We also plan to enhance our sales and marketing efforts, promote our brand and enhance awareness of our corporate image by (i) organising marketing activities and participating in more trade shows, exhibitions and conventions to showcase our products to potential buyers, raise our corporate profile in the industry, expand our procurement network and enhance our product offerings; (ii) expanding our marketing campaigns to include social media marketing website to raise our profile on social media platforms; (iii) re-designing and enhancing our website to include an e-commerce platform in order to serve our retail customers online; and (iv) purchasing samples of medical devices for display in our showroom for our customers' inspection before ordering.

The following table sets out further details of our planned sales and marketing activities, and the expected expenditures which are expected to be financed by the net proceeds from the Share Offer:

<u>Planned sales and marketing activities</u>	<u>Description</u>	<u>Approximate amount of the expected expenditure</u>
<p>Participating in more local and international trade shows, exhibitions and conventions on medical devices, other healthcare products and security system. Please refer to the paragraph headed "Future plans and use of proceeds – Implementation plan" of this prospectus for the details of the trade shows, exhibitions and conventions in which we plan to participate.</p>	<ul style="list-style-type: none"> • Meet more overseas suppliers and explore new business opportunities so as to broaden our product portfolio; • Obtain the latest information of the medical device market, including recent technological development, market trend and customers' feedback and preferences; • Enhance our sourcing capability and strengthen our competency in providing market trend analysis to our customers; and • Explore overseas distribution channels for our security system and healthcare products through meeting representatives of overseas distributors. 	<p>HK\$1.11 million, being the estimated expenses for exhibition booth rental fee, air fare and accommodation</p>

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Planned sales and marketing activities	Description	Approximate amount of the expected expenditure
Establishing a social media platform and engaging a social media marketing agent to create a social media marketing website	<ul style="list-style-type: none"> • Promote our products and our image as a medical device distributor providing one-stop medical device solutions to the general public; • Promote both medical devices distributed by our Group and products developed by us, such as the security system, far-infrared nursing bra and far-infrared pillow; • Maintain the social media marketing website by regular updates and create tailor-made posts for our products; • Monitor the hit-rate and create campaigns and promotional activity for the social media marketing website; and • Review the effectiveness of the marketing strategy regularly and adjust the promotion strategies accordingly. 	HK\$0.72 million, being the estimated charges for the social media marketing service
Re-designing and enhancing our website	<ul style="list-style-type: none"> • Enhance our corporate image; and • Promote our Group and our products. 	HK\$0.14 million, being the estimated web page creation and maintenance fee
Establishing an e-commerce platform	<ul style="list-style-type: none"> • Market our products suitable for household use to our retail customers online. 	HK\$0.20 million, being the estimated building and maintenance cost of the e-commerce platform

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Planned sales and marketing activities	Description	Approximate amount of the expected expenditure
Purchasing samples of products for display in our showroom	<ul style="list-style-type: none"> • Allow our retail customers to inspect and examine closely our sample products; • Allow our staff to demonstrate the application of our products in person; and • Invite representatives from our hospital customers to our showroom so as to show to them our diverse product portfolio and our latest products with on-site demonstration before any procurement decision is made. 	HK\$1.55 million, being the estimated cost for purchasing nearly 60 types of medical equipment and consumables as samples

We believe that we would be able to further penetrate the medical device market through the above sales and marketing strategies and quality value-added services.

Expand our workforce

We plan to attract and retain talented personnel in order to support and sustain the growth of our business and expand our business. To achieve this, we plan to utilise approximately HK\$10.7 million of the net proceeds from the Share Offer to expand our workforce and such amount will be used for salary payment of the newly recruited staff until 31 March 2020. We intend to recruit two engineers, one enrolled nurse, one physiotherapist, seven product representatives, two marketing staff, two R&D staff, two information technology technical staff, one warehouse staff, two drivers and two logistics staff, one administrative staff and one accounting staff to cope with our overall need for organic business expansion.

We consider that it is imperative to expand our workforce as described above on the following grounds:

- (i) We need to strengthen our manpower resources in view of the growth drivers in the medical device market in Hong Kong as a result of the aging population in Hong Kong, expected increase in the HK Government's healthcare expenditure and continuous technology innovation in medical device market. Further details of our growth drivers, please refer to the paragraph headed "Industry Overview – Hong Kong medical device market – Growth drivers of Hong Kong medical device market" of this prospectus. Furthermore, although our Group's customer base already covers all private hospitals and most public hospitals in Hong Kong, our Group only accounted for a market share of approximately 2.5% of the overall

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market of tier I, tier II and tier III medical device distributors in 2016 according to the Frost & Sullivan Report. As such, our Directors consider that there is ample room to increase our market share and that our existing sales and marketing staff have already been fully occupied with their duties with respect to our current products, and hence we will need to hire additional sales and marketing staff as we intend to further broaden our product range we supply to our existing customer base, and expand our customer base by covering more public hospitals in Hong Kong. In view of the industry trend and our limited workforce, we consider it necessary to expand our sales team by recruiting seven product representatives and two marketing staff to capture the business opportunities, expand our customer base and further enhance our market share. Four product representatives will be responsible for existing products with a particular focus, such as sales of the security system and sales to elderly homes. The remaining three product representatives will be responsible for promoting our medical device leasing services. We plan to have a deputy marketing manager to (i) handle arrangements relating to local and international exhibitions; (ii) update our website and the product information on our e-commerce platform; (iii) liaise with our social media marketing agent; and (iv) maintain the operation of our showroom. Our Directors will review our marketing strategy regularly and we expect to hire another marketing executive to assist the deputy marketing manager in the second quarter of 2019.

- (ii) Additional staff recruitment is necessary to implement our business strategies effectively. For instance, enhancing our maintenance services would necessitate the increase in headcounts of our engineering team and hence the recruitment of two engineers. It is expected that one physiotherapist is required to support our service for leasing of airway clearance machines and one enrolled nurse is required to provide home health nursing services. Additional headcounts for two R&D staff are necessary to support our product development. Our upgrade of information technology systems needs to be supported by a stronger information technology team and hence the additional headcount for two information technology technical staff is required. We plan to have one more warehouse staff to cope with our operational need as we maximise our warehouse space as described below.
- (iii) We consider it necessary to recruit one more accounting staff and one more administration staff to strengthen our Group's financial reporting and administration functions especially after the Listing.
- (iv) In bidding for tender contracts with public hospitals, availability of manpower resources is one of the key assessment criteria. Having a more established sales and marketing team and engineering team will enable us to be more receptive to our hospital customers' feedback, changing preferences and operational needs and providing more comprehensive after-sales support in a timely manner, and hence facilitating a better working relationship with procurement personnel and doctors from different departments of the hospitals. Our Directors believe that with a stronger sales and marketing team and engineering team, it would be more likely for

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our Group to gain confidence and trust from our public hospital customers and thereby increasing our chance of being selected in the tendering process. Therefore, we believe that it is necessary for our Group to enhance our competitiveness by expanding our workforce as described above to increase our tender success rate.

Also, we plan to continue to motivate and incentivise our employees by providing them with structured training that is designed to help them in career advancement. We plan to continue to regularly review and update our employee compensation plans and bonuses based on their individual performance so that our employees are suitably incentivised.

Selectively pursue opportunities for strategic acquisitions

We plan to expand our business through organic growth and strategic acquisition. According to the Frost & Sullivan Report, the medical device market is fragmented and experiencing a stage of consolidation. In light of this industry trend, we plan to expand our existing business by way of an acquisition. We will selectively pursue strategic acquisition opportunities that present compelling growth prospects to achieve the following objectives:

- (a) *To increase the depth and breadth of our portfolio of medical device products and services:* According to the Frost & Sullivan Report, we accounted for a market share of approximately 2.5% of the overall market of the tier I, tier II and tier III medical device distributors in 2016. A horizontal expansion through acquisition of a medical device business potentially relating to specialities such as obstetric and gynaecology, cardiac, accident and emergency unit and infection control unit, which has products currently not in our product portfolio, would enable us to enhance the depth and breadth of our current product portfolio. This could also save our time and cost to negotiate directly with overseas manufacturers about the distribution right that is already held by the potential acquisition target. Our Directors believe that an acquisition of a medical device business with such distributorship will further enrich our product portfolio and strengthen our position in the Hong Kong medical device market.
- (b) *To strengthen our sales team:* We consider that the potential acquisition target may bring in more experienced sales personnel which may further expand our distribution channel in the Hong Kong market. The sales team from the potential acquisition target is expected to possess (i) in-depth technical knowledge and experience relating to the medical devices that they are distributing, which our existing sales team may not possess; and (ii) the well-developed network with their existing customer base. As such, our Directors believe that such acquisition would enable us to make use of its readily available resources to broaden our product portfolio, further penetrate into the Hong Kong medical device market and expand our market share.

We will carefully evaluate potential acquisition opportunities to ensure that they can provide synergies to our business and that they are capable of being successfully integrated into our core business platform.

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To this end, we plan to take the following steps in pursuing opportunities for selective acquisitions:

- (i) Our Board will evaluate and identify potential acquisition targets, which carry on the business of medical devices distribution in Hong Kong, based on the following selection criteria, including but not limited to: (a) their suppliers network and their relationship with overseas manufacturers of medical devices; (b) their product portfolio; (c) years of experiences, qualifications and competencies of their sales personnel; (d) their existing customer base; (e) their track record and operating history in the medical device market in Hong Kong; and (f) their revenue, cash flow and earnings generation capabilities, as well as balance sheet strength and other financial considerations. Subject to discussions with the potential acquisition targets and the results of our financial and legal due diligence, we may acquire their businesses by way of acquisition of controlling stakes through equity purchase.
- (ii) According to Frost & Sullivan, there are more than 100 medical device distribution companies that may potentially meet our requirements for acquisition. The potential target is expected to be small-sized companies with a strong sales team. The target is expected to be profitable with expected yearly revenue of less than HK\$30 million.
- (iii) Our management will perform feasibility study, preliminary due diligence on potential targets and present an internal evaluation proposal to our Board for consideration and approval. Our Board will assess whether the business activities of the potential targets can be integrated into our Group to create synergy and economies of scale to reduce staff costs and other operational costs thus increasing overall sales and profitability of our Group.

We intend to finance the acquisition costs, which are expected to be not more than approximately HK\$15 million with reference to the expected yearly revenue of the potential target in the range of more than HK\$10 million but less than HK\$30 million, by a combination of the net proceeds from the Share Offer, internal resources and/or bank borrowing, depending on the amount of purchase price and commercial terms of the potential acquisition.

As at the Latest Practicable Date, we had neither identified any suitable target, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential target.

Enhance our R&D and product development efforts

To support our product development, we will continue to expand our in-house R&D team and co-operate with universities and other research partners. In order to strengthen our product R&D capability, we plan to increase the headcount of our R&D team by recruiting two R&D personnel with relevant background in medical device R&D and quality assurance. Supported by our R&D capabilities, we aim to expand our portfolio of products and services and enter into

new areas with steady growth potential. During the Track Record Period, we focused our R&D efforts on far-infrared technology and developed a nursing bra which is expected to improve lactation and prevent breast duct obstruction and a far-infrared pillow infused with silicone gel to provide a cooling effect for improving sleep quality. In addition to the above healthcare products, we have also developed a hybrid security system by utilising a combination of technologies, such as EAS and RFID, for hospitals and elderly care homes to prevent missing of patients and medical equipment or elderly residents (as the case may be). In January 2016, we collaborated with a department of the HK Government (whose health sector division is responsible for providing engineering support to public hospitals) to conduct an on-site demonstration, testing and commissioning of our security system for use in a public hospital. Please refer to the paragraph headed “Research and development” of this section below for further details of our R&D focus after the Listing.

Upgrade our information technology systems

We intend to upgrade our information technology systems by having new computer hardware and software and adopting a new enterprise resources planning system so as to enhance our operational and management efficiency. We purchased our current enterprise resources planning system with basic functions on inventory and sales management in November 2014 at a cost of HK\$115,000 and the related maintenance cost amounted to approximately HK\$113,000 during the Track Record Period. In view of the limited functionalities provided by our current system, our Directors consider that it is necessary to upgrade our information technology systems as we need to expand the features and functionalities of our enterprise resources planning system to cope with our business expansion, in particular, one that can facilitate budget management, ledger consolidation, credit management, financial analysis and projections, human resources management and administration functions. Furthermore, we plan to upgrade our in-house technology infrastructure to support our evolving R&D activities, for instance renting more servers, expanding connectivity bandwidth and updating our firewalls. Based on the quotations provided by the relevant suppliers, the estimated cost of upgrading our information technology system is approximately HK\$2.5 million, which is expected to be financed by the net proceeds from the Share Offer. We believe that such upgrade will provide us with a wider range of information-based solutions in a more efficient manner, and hence enhance our operating efficiency.

Maximise our warehouse space, establish our showroom and upgrade the functionality of our office

As at the Latest Practicable Date, we rented two warehouses located in Tsuen Wan, New Territories, Hong Kong, details of which are set out in the paragraph headed “Warehousing and storage” of this section below. In anticipation of our business expansion, we will maximise our warehouse space which is currently insufficient to meet our continuous business growth. To accommodate the expected increase in our inventory level in the future, we plan to enhance the storage capacity of our warehouse facilities by installing more racks so as to fully utilise the vertical space of our existing warehouses and redesigning the physical layout of our

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warehouses. Based on the quotations provided by the relevant supplier, the estimated cost of the enhancement work is approximately HK\$0.6 million, which is expected to be financed by the net proceeds from the Share Offer. We believe that such enhancement will provide for an additional storage space of approximately 2,500 sq.ft.. We also plan to recruit one more warehouse staff to support our warehouse operation. Our Directors believe that the additional warehouse space will also allow us to broaden our product portfolio as we will have more capacity to store new types of medical devices, which enable us to enrich our product selection to accommodate our customers' demand.



In order to cope with our business expansion, we have rented a new office premises as our headquarters in Hong Kong with a saleable area of approximately 2,850 sq.ft. and an annual rent of approximately HK\$0.96 million by using our internal resources. We intend to utilise approximately HK\$1.7 million of the net proceeds from the Share Offer to establish a showroom for display of product samples and upgrade our video conference systems and board room facilities, the estimated costs of which being approximately HK\$1.3 million and HK\$0.4 million, respectively, based on the quotations provided by the relevant suppliers. Such costs are expected to be financed by the net proceeds from the Share Offer.

OUR PRODUCTS AND SERVICES



Medical devices we distribute

Our Group has been a medical device distributor in Hong Kong for over 19 years offering a myriad of medical devices. As at the Latest Practicable Date, our product portfolio included over 10,000 types of medical devices which mainly originate from the United States, Germany, France, Mexico, Malaysia and the PRC.

The table below sets forth a summary of information on the products our Group distributed as at the Latest Practicable Date:

Product segments	Examples, features and applications	Principal products	Class (Note 1)	Typical shelf life of the product segment (Note 2) (Years)
Medical consumables	<ul style="list-style-type: none"> • Needleless connectors that connect the intravenous catheter • Ligation clips for vessel ligation 	 	I, II, IV	3-5




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Product segments	Examples, features and applications	Principal products	Class <i>(Note 1)</i>	Typical shelf life of the product segment <i>(Note 2)</i> <i>(Years)</i>
Medical equipment	<ul style="list-style-type: none"> • Various kinds of biopsy needles for taking soft tissue of lung, breast and prostates etc., and bone marrow • Drapes to cover patients to provide sterile field during operation • Suction system for collection of fluid during operation • Various size of suction tubings during operations or patient suction • Wound drain products for collection of blood, lymph and other fluids from patients after operation 		I	N/A
				

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Product segments	Examples, features and applications	Principal products	Class <i>(Note 1)</i>	Typical shelf life of the product segment <i>(Note 2)</i> <i>(Years)</i>
	<ul style="list-style-type: none"> Mattresses such as pressure relieving mattresses for pressure ulcer prevention, low air pressure mattresses for healing advanced pressure ulcer, hybrid mattresses for providing active or reactive therapy and allowing practitioners to immediately step patients up or down in line with their clinical needs 			
	<ul style="list-style-type: none"> Stretchers used for patient transfer 			
	<ul style="list-style-type: none"> Furniture used in wards such as overbed table and recliner chair 			

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Product segments	Examples, features and applications	Principal products	Class (Note 1)	Typical shelf life of the product segment (Note 2) <i>(Years)</i>
Medical instruments	<ul style="list-style-type: none"> Instruments such as scissors and forceps for operation and general ward usage 		II	N/A
Other healthcare products	<ul style="list-style-type: none"> Security system Healthcare products such as far-infrared nursing bras and pillow 	 	N/A N/A	N/A

Notes:

- Medical devices are grouped into four classes, namely, Class I, Class II, Class III, and Class IV, in accordance with the requirements of the MDACS administered by the Department of Health with reference to the risk level which depends on one or several of the following factors, such as the duration of device in contact with the body, the degree of invasiveness, whether the device delivers medicines or energy to the patient, whether they are intended to have a biological effect on the patient and local versus systematic effects (e.g. conventional versus absorbable sutures). Class I medical devices bear the lowest risk. Class II medical devices bear low-moderate risk. Class III medical devices bear moderate-high risk. Class IV medical devices bear the highest risk.
- Shelf life refers to the period of time when the product is first delivered to our warehouse and up to the labelled expiration date of the product.

Our services

In addition to providing medical device products to our customers as described above, we also provide medical device solutions including market trend analysis, after-sale services, technical support and training services, medical device leasing services and quality assurance services to our customers, details of which are set out below:

- Market trend analysis:* We believe our understanding of our customers' needs and requirements represents a critical component of our medical device solutions. This can be achieved through our close contact with our customers on a frequent basis and our close connections with reputable manufacturers of medical devices. Our Directors and members of our sales and marketing team regularly attend international conferences organised by medical device manufacturers and medical professional associations which provide us valuable market information in relation

to the latest product features, product techniques, latest technologies and innovations that support the medical devices. In addition, we carry out our own market researches to keep abreast of the market development and capture the latest market trends and changing customers' preferences. Through conducting our own market trend analysis, we are able to develop an awareness of the latest market trends and are well-positioned to share market intelligence, discuss and exchange ideas with our customers and provide more choices of new medical devices that suit our customers' specifications and requirements.

To further enhance our understanding of our customers' needs and requirements, we have collaborated with overseas manufacturers to carry out survey to evaluate the operating conditions and effectiveness of some of our medical equipment. For example, we worked together with an overseas manufacturer of electric beds to evaluate different models of electric beds such as bed frame condition, braking system, steering condition, siderail condition, pendant control, etc. for the purpose of recommending more sophisticated electric bed models that prevent patient falls and meet other specifications and requirements of our customers. We have also worked with an overseas manufacturer to promote the importance of early patient mobility to hospitals and recommend more advance models of electric bed systems combined with rotational bed therapy to prevent and treat respiratory complications so as to help patients to shorten the length of stays in intensive care units in hospitals.

Given our regular contact with our reputable suppliers of medical devices, we believe that we are able to identify the latest trends in medical device market and introduce new products to our customers in a timely manner. We have recommended the use of powder-free double-gloves during invasive procedures to reduce the risk of needlestick injury and the risk of skin allergy and respiratory infection to which surgeons may be exposed. Also, we have recommended laparoscopic devices that can enter directly into the skin through a small incision without an insertion trocar so that patients are subject to less trauma during percutaneous laparoscopy, an advanced form of minimally invasive surgery procedures.

- *After-sale services:* We provide after-sale services in relation to medical equipment and medical instruments. Our after-sale services comprise the following:
 - *Warranty services:* For medical equipment and medical instrument we distribute, we provide our customers with warranty services free of charge during the warranty period which typically lasts for 12 months. Our scope of warranty services include (i) liaising with the relevant suppliers on our customers' behalf for repair services; and (ii) arranging for the delivery of the spare parts from the relevant suppliers for replacement and installation by our engineering team; and

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- *Maintenance services:* After expiration of the warranty period, our customers may request renewal of our maintenance services which may provide us with a recurring source of income. Our maintenance services generally include the following:
 - (i) *Regular inspection:* Subject to our negotiation with our clients, we may enter into maintenance service contracts for the provision of maintenance services for a term of one year at a fixed service fee. Our engineering team visits our customers and performs routine checks on the medical equipment on such frequency as agreed with the customers. Based on the information available, we will provide suggestions or solutions for resolving the reported issues, and, where applicable, coordinate with our engineers to: (a) identify the problems of the defective equipment; (b) arrange for on-site remedial actions; (c) schedule for installation and replacement of defective parts;
 - (ii) *Emergency visit:* If requested by our customers, we may be called upon to perform emergency visit during office hours within two working days from our receipt of customer's request. Additional charge will be imposed if we are required to perform the emergency visit outside office hours; and
 - (iii) *Installation services:* We will arrange for spare parts for installation when requested by customers. Any services that require spare parts for repairing, or require the products to be sent back to the manufacturer for further inspection, will be charged separately if the service is performed after expiration of the warranty period.

We generated maintenance service fee of approximately HK\$2.1 million, HK\$1.6 million and HK\$1.0 million, respectively, which accounted for approximately 4.1%, 3.2% and 3.1% of our total revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017.

- *Technical support and training services:* We have a team of well-trained sales team who is familiar with our products and possess the relevant technical expertise. We assign our experienced sales representatives to our customers for providing operational training and demonstration to our customers free of charge. The operational training is designed to enable the device operators or users to use the medical devices safely, efficaciously and properly. For instance, our sales team coordinated with different hospitals to arrange for demonstrations on the use of hospital beds. For consumable products such as ophthalmic drape, we provide samples and demonstrate how to carry out draping in operation theatres. In some cases, we provide guidance to surgeons and nurses on how to use the medical devices in accordance with the manufacturers' instructions from time to time. We invite seasoned overseas medical professionals as speakers in our training courses, seminars and workshops for nurses and medical staff of our customers covering topics such as medical hygiene, medical technologies and procedures to keep our

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customers abreast of the latest development of medical devices and equip themselves with practical skills and knowledge on the medical devices we distribute. Some of these courses were accredited by the Nursing Council of Hong Kong for continuing nursing education. These training courses are provided free of charge as a way to contribute to the medical community. It will also deepen our brand recognition and further enhance customers' confidence towards our services.

- *Medical device leasing service:* To cater for the demand of special nursing care, we have sought to broaden our scope of services to include medical device leasing service. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, the revenue from our medical device leasing services amounted to approximately nil, HK\$58,000 and HK\$86,000, respectively. In December 2016, we started to offer our airway clearance machines for lease to individual customers as part of our medical device leasing service. We plan to purchase more airway clearance machines for leasing to cater for the demand of patients suffering from chronic respiratory diseases.
- *Quality assurance service:* Our quality assurance covers all aspects of our operations, including maintenance of equipment, product traceability, product documentation, monitoring, quality checking and sterilisation data checking on finished products, details of which are set out in the paragraph headed "Quality control" of this section below.

Revenue generated by our products and services

During the Track Record Period, medical consumables and medical equipment accounted for the majority of our revenue. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our sales of medical consumables accounted for approximately 51.4%, 65.0% and 72.4%, respectively, of our total revenue, and our sales of medical equipment accounted for approximately 37.3%, 26.8% and 21.4%, respectively, of our total revenue. The table below sets out our revenue of our products and services during the Track Record Period:

	For the year ended 31 March				For the seven months ended 31 October	
	2016		2017		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Medical consumables	27,183	51.4	33,578	65.0	22,420	72.4
Medical equipment	19,725	37.3	13,843	26.8	6,613	21.4
Medical instruments	3,825	7.2	2,454	4.8	876	2.8
Other healthcare products	–	–	74	0.1	–	–
Services ^(Note)	2,143	4.1	1,708	3.3	1,049	3.4
Total	52,876	100.0	51,657	100.0	30,958	100.0

Note: Our services which generated revenue mainly included maintenance services and medical device leasing services provided during the Track Record Period.

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Revenue contributed by our customers

With over 19 years of operating history, our Group has accumulated a broad and diverse customer base. As at the Latest Practicable Date, we served over 100 customers in Hong Kong which cover (i) all private hospitals and substantially all of the public hospitals in Hong Kong; (ii) over 30 private clinics; (iii) other customers (such as non-profit organisations, universities and individual end-users) in Hong Kong. Public hospitals and private hospitals in Hong Kong constituted our core customer base and accounted for approximately 93.0%, 92.8% and 93.0% of our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. The table below sets out our revenue from our customers during the Track Record Period:

	For the year ended 31 March				For the seven months ended 31 October	
	2016		2017		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hospitals						
– <i>Public hospitals</i>	25,835	48.9	24,513	47.4	14,351	46.4
– <i>Private hospitals</i>	23,307	44.1	23,434	45.4	14,416	46.6
Sub-total:	49,142	93.0	47,947	92.8	28,767	93.0
Private clinics	1,224	2.3	516	1.0	257	0.8
Others^(Note)	2,510	4.7	3,194	6.2	1,934	6.2
Total:	<u>52,876</u>	<u>100.0</u>	<u>51,657</u>	<u>100.0</u>	<u>30,958</u>	<u>100.0</u>

Note: Others included non-profit organisations, universities and individual end-users.

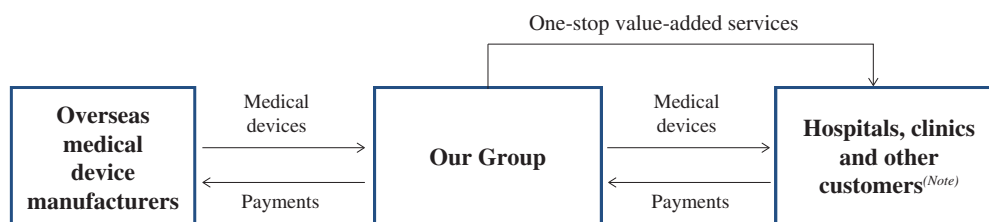
VALUE CHAIN, OUR BUSINESS MODEL AND OPERATION

Value chain

According to Frost & Sullivan, the medical device market has two distinct segments, namely medical device segment for home use and medical device segment for institutional use. The value chain of both segments initiates from medical device manufacturers which manufacture medical device products. Such medical devices are then distributed via medical device distributors to end customers. Apart from selling medical device products, distributors such as our Group may offer additional value-added services, such as market trend analysis, after-sale services, technical support and training services, medical device leasing services and quality assurance services.

Our business model

Under our business model, we source medical devices directly from our overseas medical device manufacturers and supply them directly to our customers who are the end-users without relying on any sub-distributors. The following diagram illustrates our business model:



Note: Other customers include non-profit organisations, universities and individual end-users.

Our Directors consider that as a medical device distributor in Hong Kong which is capable of providing one-stop medical device solutions, we could induce our customers to purchase medical devices directly from us rather than our overseas suppliers for the following reasons:

- *Most of our suppliers of medical devices are overseas manufacturers and have to rely on distributors such as our Group to cover and distribute to markets outside their own countries:*

As at the Latest Practicable Date, the medical devices distributed by our Group were mainly originated from the United States, Germany, France, Mexico, Malaysia and the PRC. According to Frost & Sullivan Report, it is a common strategy for overseas manufacturers of medical devices to extend their sale network to markets outside their own countries where there is no local presence or network by cooperating local distributors such as our Group which can provide sales and marketing and after-sale service locally and have a good relationship with local customers and an in-depth understanding of the market.

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- *We are able to provide our customers with one-stop medical device solutions with various value-added services which may not be readily provided by our suppliers locally:*

Apart from being a medical device distributor, we also provide quality customised services, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance to our customers, which place our Group in a favourable position to provide one-stop medical device solutions in Hong Kong. Please refer to the paragraph headed “Our products and services – Our services” of this section for further details of our customised services. Our proactive marketing approach coupled with our insights in the medical device market allow us to offer customised services tailored to the needs of our customers and provide our customers with a one-stop medical device solutions in Hong Kong.

- *We serve as a bridge between our overseas suppliers of medical devices and our customers on matters relating to medical devices:* As a medical device distributor, we assume the following roles:
 - *Efficient communication channels:* communicate with the end customers and the manufacturers to manage the pre-market and post-market matters of the relevant medical devices, such that any updated medical device information can be disseminated to the relevant parties while feedbacks can be collected and delivered to the manufacturers for actions;
 - *Application for listing medical devices:* make and renew applications for listing the medical devices under the MDACS and provide the MDCO with further information relating to the medical devices. Such approval for listing is generally valid for five years. Beginning from August 2015 up to the Latest Practicable Date, we have been registered on the “List of Local Responsible Persons” of the Department of Health for ligation clips, biopsy needles and needleless connectors sourced from three major suppliers during the Track Record Period and listed with the Department of Health under the MDACS;
 - *Distribution records:* update list of importers and the distribution records of devices imported such that the details of devices sold and distributed in Hong Kong can be traced when needed;
 - *Feedback handling:* provide for a feedback handling procedure for collecting comments and feedback from the public;
 - *Maintenance and service arrangements:* offer or arrange other parties to provide preventive and corrective maintenance, including calibration, provision of spare parts and other services to the users when requested;

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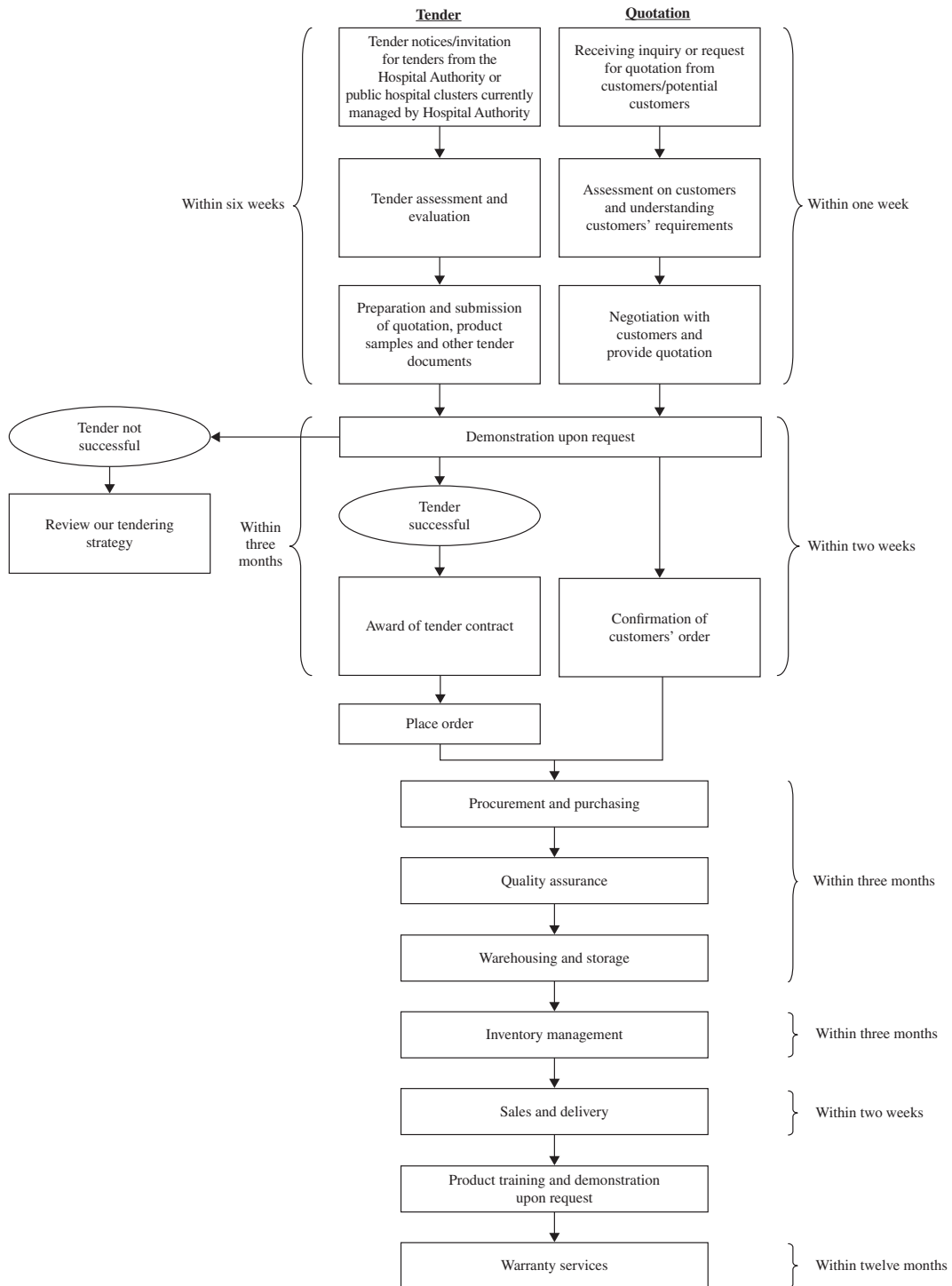
- *Product alerts, modifications and recalls:* in the event of any incident affecting the medical devices that leads to a product recall, safety alert and defect notification or upon the issuance of alerts, modification notices and recalls by the manufacturers or overseas authorities, inform the MDCO and the customers in writing of the related details and actions to be taken in Hong Kong as soon as possible after such issuance or notification; and
- *Managing reportable adverse incidents in Hong Kong:* report on adverse incident with respect to medical devices involving serious injury or serious public health concern and conduct investigation on the incident and report to the MDCO as soon as possible.
- *We have developed a close relationship with our customers and therefore we understand our customers' needs:*

We have been operating in the Hong Kong medical device market for over 19 years and have established ourselves as a reliable medical device provider with the ability to manage a significant customer base. We maintain stable business relationship with our existing customers by understanding their changing needs and providing them with customised services as described above. Over the years, we have developed a wealth of knowledge, experience and understanding on our customers' need which may not readily be replicated by our suppliers. Our Directors believe that this further induces our customers to source medical devices from us instead of sourcing directly from our suppliers.

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Operation flow

The general workflow of our operations is set out below:



Note: The time frame is for illustration purpose only and may vary depending on various factors such as the terms of tender contract or quotation, the types of products, customer's requirements as well as other unforeseeable circumstances.

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Identification of business opportunities

Request for quotation

Our Group has a team of experienced sales personnel who possess in-depth knowledge of the products we sell and our customers' requirements. We assign sales representatives to our key customers, including public and private hospitals, to maintain daily contact with our hospitals' procurement officers, ward managers and nurses to understand their needs on a daily basis and manage the marketing and sales of our products. Leveraging on our long-term business relationship with our customers and our market reputation, we receive requests for quotations from our customers, such as hospitals and clinics, for supply of medical devices from time to time. We negotiate with our customers on the sale terms including sale price, quantity of products required, delivery arrangement and payment terms on an order-by-order basis. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to our sales orders obtained through acceptance of quotation amounted to approximately HK\$41.8 million, HK\$41.6 million and HK\$23.9 million, respectively, which accounted for approximately 79.0%, 80.5% and 77.1% of our total revenue.

During the Track Record Period, we were approached by other customers (including non-profit organisation, universities and individual end-users) to provide quotations for supply of medical devices. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to sales to other customers amounted to approximately HK\$2.5 million, HK\$3.2 million and HK\$1.9 million, respectively, which accounted for approximately 4.7%, 6.2% and 6.2% of our total revenue.

The following table summarises our overall quotation success rate for each of the two years ended 31 March 2017 and the seven months ended 31 October 2017:

	For the year ended		For the seven
	31 March		months ended
	2016	2017	31 October
			2017
Number of quotations requested ^(Note 1)	3,374	3,173	2,021
Number of quotations accepted ^(Notes 2 and 3)	1,485	1,534	909
Success rate ^(Note 4)	44.0%	48.3%	45.0%

Notes:

1. The quotations requested refer to the quotations sent to our customers for their consideration upon request.
2. The quotations accepted refer to the quotations accepted by our customers where the reference number and/or the price items of the relevant quotations were referred to in the purchase orders issued by our customers.

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3. The validity period of our quotations is generally 30 days. As at the Latest Practicable Date, no quotation requested during the seven months ended 31 October 2017 was pending for customer's acceptance and all of these quotations had expired.
4. Quotation success rate is calculated by dividing the number of quotations accepted in respect of the quotations requested during the relevant period by the number of quotations requested during the relevant period.

Our quotation success rate for the two years ended 31 March 2017 and the seven months ended 31 October 2017 was approximately 44.0%, 48.3% and 45.0%, respectively. During the Track Record Period, the number of quotations requested by our customers and the number of quotations accepted by our customers did not experience material fluctuation and hence our quotation success rate remained stable.

Tendering

Occasionally, we secure sales orders with public hospitals for bulk purchase of medical devices and maintenance services through tender contracts awarded under a competitive tendering process. The tendering process is usually arranged by the Hospital Authority on behalf of the public hospitals or the public hospitals themselves. Under the MDCO, it is not mandatory for a medical device distributor such as our Group to admit to the "List of Local Responsible Persons" of the Department of Health. In order to fulfil one of the conditions of tenders imposed by the Hospital Authority, we have been admitted to the "List of Local Responsible Persons" of the Department of Health for ligation clips, biopsy needles and needleless connectors sourced from our major suppliers during the Track Record Period. Our Directors believe that our admission to the "List of Local Responsible Persons" will enhance our success rate for tender contracts of these products. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to tender contracts amounted to approximately HK\$11.1 million, HK\$10.1 million and HK\$7.1 million which accounted for approximately 21.0%, 19.5% and 22.9% of our total revenue, respectively. We identify tender contracts through the website of the Hospital Authority where tender notices, which include the tender title, preliminary description of the type of products required, planned date of the publication of the notice of procurement and the identity of the customer that requires the products. We may also receive tender invitations directly from the Hospital Authority or public hospitals from time to time.

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The following table summarises our overall tender success rate and the total contract sum of the tenders awarded to our Group for each of the two years ended 31 March 2017 and for the seven months ended 31 October 2016 and 31 October 2017:

	For the year ended		For the seven months ended	
	31 March		31 October	
	2016	2017	2016	2017
Number of tenders submitted	56	62	33	24
Number of tenders awarded ^(Notes 1 and 2)	14	16	6	7
Success rate ^(Note 3)	25.0%	25.8%	18.2%	29.2%
Total contract sum of tenders awarded (HK\$'000) ^(Notes 2 and 4)	8,684	7,884	2,710	7,325

Notes:

1. The tender result is usually released within three months after tender submission and it may occasionally take longer time. As at 31 December 2017, the results of nine of the tenders we submitted during the seven months ended 31 October 2017 had not been released.
2. The tenders awarded refers to the tenders which were submitted by our Group during the relevant period indicated and awarded to our Group during or subsequent to such period.
3. Tender success rate is calculated by dividing the number of tenders awarded in respect of the tenders submitted during the relevant period by the number of tenders submitted during the relevant period.
4. Depending on the commencement date and the term of the relevant tender contract, the contract sum of the tender awarded to our Group may not be recognised as revenue in the financial year in which the relevant tender is awarded, and all or part of the contract sum may be recognised as revenue in the following financial year(s).

Our tender success rate for the two years ended 31 March 2017 and the seven months ended 31 October 2017 was approximately 25.0%, 25.8% and 29.2%, respectively. We submitted more tenders in the year ended 31 March 2017 than in the year ended 31 March 2016 since there had been more tender invitations that involved the product portfolio we were able to offer for the year ended 31 March 2017. Our tender success rate remained stable for the year ended 31 March 2016 and the year ended 31 March 2017. It was our strategy to be responsive to our customers' tender invitations and submit tenders to our existing customers in order to maintain business relationship with them and maintain our market presence in the Hong Kong medical device market. Furthermore, the total contract sum of the tenders that were awarded to our Group during the seven months ended 31 October 2017 was higher than those awarded to us during the seven months ended 31 October 2016 primarily due to the tender contract of approximately HK\$4.9 million awarded by the Hospital Authority in October 2017 for bulk purchase of feeding products.

Preparation of quotation or tender submission

Upon receiving a request for quotation by our customers or identifying a tendering opportunity, our sales and marketing team will process customers' enquiry or tender assessment in the following manner:

- We generally review and evaluate the commercial viability of a quotation request or tender based on factors including the type of products required by customer, technical specifications of the products, quantity of the products required, delivery lead time, payment term, other specific requirements of customers, our relationship with potential customers and prevailing market conditions.
- Based on the experience of our sales and marketing team, we determine our sale price based on a "cost-plus" approach. The sale price of medical device products we quote varies and depends primarily on, among other things, prices as quoted to us by our suppliers and all transportation costs and delivery costs to be borne by us in relation to the delivery from suppliers' sites to our customers' sites, the type of products, the place of origin of the product brand, the volume of orders, the timing of product delivery, our Group's expected margins and general market conditions. Please refer to the paragraph headed "Sales and marketing – Pricing policy" of this section for further details of our pricing policy.
- We are required to submit sufficient product information such as catalogues, technical specifications and brochures to customers. For tender submission, we are required to submit a written undertaking issued by the manufacturer of the products evidencing the manufacturer's agreement to supply such products should we be awarded the tender contract. If requested by the customer, we may be required to provide product samples and product demonstration on the use of medical devices.
- We are required to provide details of the licences of the manufacturer, testing certificate or report for the possession or use of the product offered to ensure product safety, manufacturer's quality assurance or control report, sterilisation certificate or report, if required.

Award of sale orders or tender contracts

Upon receipt of our quotation or tender, our customer may, by way of enquiries, clarify with us on the particulars of our submitted quotation or tender. Upon request by customer, we may be required to submit free product sample to customer for customer's evaluation free of all costs (including delivery cost). We may also be required by customer to provide a brief presentation and product demonstration on the product offered. Our customer will directly issue purchase order to us if our quotation is accepted. For tender submission, once our customer decides to engage us, we will be informed of its acceptance of our tender by a letter of acceptance issued to us by our customer. For the principal terms of our engagement in a tender contract, please refer to the paragraph headed "Our Customers – Major terms of engagement with our customers" of this section below.

Sourcing and procurement

Our sourcing capability is one of our key competitive strengths which is mainly attributable to the extensive supplier base our Group has established over the years. During the Track Record Period and up to the Latest Practicable Date, we sourced medical devices from over 40 suppliers which are overseas medical device manufacturers. In the event there is any shortage or delay in supply of medical devices, we are able to react by sourcing from alternative suppliers of our extensive procurement network with which we have established business relationships. For details, please refer to the paragraphs headed “Our suppliers” of this section below.

Order handling and inventory management

For sales orders under a tender contract, we are typically required to deliver the first lot of products within 30 days to 90 days from the date of customer’s orders. Afterwards, orders will be placed by customers which are public hospitals on an “as-and-when required” basis during the contract period and we are required to deliver the products within 14 days from the date of purchase orders. For sales orders attributed to acceptance of quotation by customers, we are generally required to deliver products within a period ranging from two weeks to three months, depending on the terms of the sales order, type of products, customers’ requirements and other unforeseeable circumstances. Therefore, once we are awarded the tender contract or the terms of the customer’s order are approved and accepted by us, depending on the type of products ordered by a customer, we will conduct a stock check to ensure that there is stock available to complete the order. In the event that we do not have sufficient stock to fulfil the purchase orders, our operation team will source and procure the required products from our suppliers. For medical consumables, we usually maintain a reasonable level of inventory of at least three months’ supply of products to meet our customers’ demand based on the record of historical orders made by our customers and sales projection derived from customers’ preferences and market trend. For medical equipment and instruments, we usually source the products from our suppliers on a back-to-back basis after our customers’ orders are confirmed. For details of our inventory management, please refer to the paragraph headed “Inventory management” of this section below.

We are required to maintain an updated report on the purchase order history in details such as order number, order date, hospital name, ordering quantity and value, batch number of products delivered, and submit the report to our customers upon request.

Warehousing and storage

As at the Latest Practicable Date, all the products procured from our suppliers were stored at our two rented warehouses at Tsuen Wan, New Territories, Hong Kong prior to our delivery to our customers. For details of our warehouses, please refer to the paragraph headed “Warehousing and storage” of this section below.

Quality assurance

After the products have arrived at our warehouses, our warehouse supervisors will conduct quality checks on the received products to ensure that they are able to meet the specifications and are in good conditions for sale. Our warehouse supervisors also conduct sample checks manually upon the products arriving at our warehouses to ensure the products meet the quality standards of our customers. For the medical consumables we procure, our warehouse staff will conduct sample checks to ensure the medical consumables have sufficient shelf life before we sell to our customers. Depending on the type of products, the shelf life of medical consumables shall meet the contractual requirements. For details of the average shelf life of each principal product we distribute, please refer to the paragraph headed “Our products and services – Medical devices we distribute” of this section above. Any products failing to pass the quality checks due to the manufacturing defects will be returned to the suppliers at the cost of the suppliers. For details, please refer to the paragraph headed “Quality control” of this section below.

Sales, delivery and provision of product training and demonstration

Our Group sells all the products directly to our customers and we do not engage any third party distributor for sales of any products. We deliver the products in accordance with the delivery conditions and time specified in the order, failing which the customer is entitled to cancel the order and/or terminate the contract. For sales orders under a tender contract, we are typically required to deliver the first lot of products within 30 days to 90 days from the date of customer’s orders and thereafter within 14 days from the date of purchase orders. For other sales orders with customers, we are generally required to deliver products within a period ranging from two weeks to three months, depending on the terms of the sales order, type of products, customers’ requirements and other unforeseeable circumstances. All goods shall be subject to inspection and/or testing by the customer and shall be deemed to have been accepted (i) when the customer furnishes us with an acceptance note or (ii) a period ranging from 30 days (for sales order attributed to acceptance of quotations) to 30 clear working days (for sales order under a tender contract) from the date of delivery has elapsed and the goods have not been rejected, whichever is earlier. Goods may be rejected if the customer considers the goods do not strictly conform to its requirements.

We have a team of experienced sales personnel and assign sales representatives to our customers for providing operational training and demonstration to our customers free of charge. The operational training will be designed to enable the operators or users to use the goods safely, effectively and properly in all respects.

Invoicing

Upon delivery of our products, we issue an invoice stating the order number, quantity, rate and value of each item of products to the customer which is typically required to settle the payment within a credit period ranging from 30 days (for sales order attributed to acceptance of quotations) to 30 clear working days (for sales order under a tender contract) from acceptance.

Warranty period

We provide a warranty on the quality of the products for one year from the date of acceptance of the products by the customer. During the warranty period, we are required to make good as soon as possible and without charge all defects in the goods. During the warranty period, our warranty services are provided free of charge. Please refer to the paragraph headed “Our products and services – Our services – After-sale services” of this section above for further details.

SALES AND MARKETING

Our Group sells all the products sourced from our suppliers directly to our customers and we do not engage any third party distributor for sales of any products. We believe that our direct sales business model provides us with better control over the range and categories of the products, reduces the lead time for inventory replenishments and enhances our profit margin.

Our sales to customers such as hospitals and clinics take place in the form of sales on credit. For major customers with which we have maintained a stable business relationship, we offer them a credit period ranging from 30 days (for sales order attributed to acceptance of quotations) to 30 clear working days (for sales order under a tender contract) from acceptance. For retail customers, we usually require them to settle all payments before product delivery. Payment from our customers is usually settled by way of wire transfer or cheque. Our management closely monitors the credit exposure and repayment conditions of our customers. We will make specific provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its long outstanding trade amount. For further details of our credit policy, please refer to the paragraph headed “Financial information – Description and analysis of selected items of consolidated statements of financial position – Trade and other receivables, deposits and prepayments” of this prospectus. The amount of provision for impairment of our trade receivables were approximately HK\$1.4 million, HK\$1.4 million and HK\$1.4 million, respectively, as at 31 March 2016, 2017 and 31 October 2017.

Pricing policy

We believe that it is important to maintain a steady supply of quality products at competitive price for the continual success of our Group. We have adopted a “cost-plus” pricing policy, pursuant to which we set target prices with different profit margins over the products we distribute. For tender contracts with customers (which are public hospitals), the tender price of medical devices we quote varies and depends primarily on, among other things, prices as quoted to us by our suppliers and all transportation costs and delivery costs to be borne by us in relation to the delivery from our suppliers’ sites to our customers’ sites, the type of products, the place of origin of the product brand, the volume of orders, the timing of product delivery, our Group’s expected margins and general market conditions. For other customers, we price our medical device products separately for each sales order based on the pricing consideration stated above. For maintenance service, the amount of our annual maintenance service fee depends on a number of factors, including (i) the quantity and complexity of the medical equipment involved; (ii) the number of our staff to be involved; and (iii) the scope of maintenance services. Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase costs to our customers.

Marketing and promotion

To enhance the visibility and marketability of the products we distribute and promote our corporate image, we undertake advertising and promotional campaigns. Our sales and marketing strategy involves a variety of initiatives to increase our penetration of the Hong Kong medical device market, including participation in trade shows, sponsorship and attendance at conferences, and developing and distributing education and marketing materials describing the benefits and functions of our products. We regularly participate in and sponsor medical seminars, conferences, industry exhibitions and trade shows, such as “HK Baby Product Fair”, “The Fourth Lifestyle Expo in Dubai, U.A.E.”, “China (Shanghai) International Medical Devices Exhibition” and “Hospital Authority Convention 2017”, and we collaborate with our suppliers to organise marketing booths in Hong Kong. Through these trade shows, exhibitions and conventions, we are able to showcase our products to potential buyers, raise our corporate profile in the industry, expand our procurement network and enhance our product offerings.

To further enhance our brand recognition and our customers’ confidence towards our services, from time to time, we invite seasoned medical professionals as speakers to our training courses, seminars and workshops for nurses and medical staff of our customers covering topics such as medical hygiene, medical technologies and procedures to keep our customers abreast of the latest development of medical device and equip themselves with practical skills and knowledge on medical devices. We organise these training courses free of charge as a way to enhance our reputation in the industry.

In addition to the conventional promotion channels such as printed brochures, product catalogues and our corporate website, we plan to enhance our sales and marketing efforts, promote our brand and enhance awareness of our corporate image by (i) expanding our marketing campaigns to include social media marketing and utilise search engine marketing to raise our profile on digital platforms; (ii) re-designing and enhancing our website to include an e-commerce platform in order to serve our retail customers online; (iii) setting up a showroom to display samples of our medical equipment and provide our customers a channel to inspect our product samples before placing orders. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details. Furthermore, we plan to expand our sales and marketing team to enhance our effort in the promotion of our own branded products, details of which are set out in the paragraph headed “Research and development – Product development” of this section below, and to follow up on any market responses to our products so as to understand our customers’ needs and market changes. We believe that these marketing and promotion strategies would help to promote our own brand and corporate image, increase our product awareness among our target customer groups and gather market intelligence.

Our marketing, promotional and branding expenses during the Track Record Period were approximately nil, HK\$146,000 and HK\$138,000, respectively, representing approximately 0.0%, 0.3% and 0.4% of our total revenue, respectively.

Product return/recall policy and inventory management policy

It is our policy to accept returns or exchanges for any defective products sold by us or products that were damaged during transportation and delivery, after examination by and upon obtaining approval of our sales department. In the event of any incident relating to our medical devices that leads to a product recall, safety alert and defect notification or upon issuance of alerts, modification notices and recalls by manufacturers or overseas authorities, we will inform the MDCO and the customers in writing of the related details and actions to be taken in Hong Kong as soon as possible after such issuance or notification. We are also required to liaise with the manufacturers for product monitoring and provide replacement for the rejected quantity of the defective or damaged products identified by the customers in a timely manner. We are also responsible for maintaining a product identification and traceability system that enables us to identify the location of affected products. We also maintain a list of affected customers and location of recalled products, translation and distribution of advisory notices to customers, retrieval of affected products, return or disposal of the products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns or product recalls, as well as any liability claims in relation to the same.

We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. When obsolete or expired products are discovered, our warehouse supervisors will notify our finance department to write off the inventory. Once the obsolete or expired products have been identified and verified, they will be removed from the physical stock location and adjustment will be made to our financial reporting system. During the Track Record Period, we had written off approximately HK\$161,000, HK\$220,000 and HK\$158,000 of our inventories, respectively. Please refer to the paragraph headed “Financial information – Description and analysis of selected items of consolidated statements of financial position – Inventories” of this prospectus for further details of our inventories.

Seasonality

Our Directors believe that the medical device industry in which we operate does not exhibit any significant seasonality.

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OUR CUSTOMERS

As at the Latest Practicable Date, we served over 100 customers in Hong Kong. We sell our products directly to our customers which cover (i) all private hospitals and substantially all of the public hospitals in Hong Kong; (ii) over 30 private clinics; and (iii) other customers (such as non-profit organisations, universities and individual end-users) in Hong Kong. Public hospitals and private hospitals in Hong Kong constitute our core customer base which accounted for approximately 93.0%, 92.8% and 93.0% of our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively.

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our sales to our five largest customers amounted to approximately HK\$27.3 million, HK\$20.9 million and HK\$12.1 million, respectively, which accounted for approximately 51.7%, 40.4% and 39.0% of our total revenue, respectively. During the same periods, sales to our largest customer amounted to approximately HK\$8.0 million, HK\$9.1 million and HK\$3.2 million, respectively, which accounted for approximately 15.1%, 17.6% and 10.5% of our total revenue, respectively. As at the Latest Practicable Date, we had established a business relationship of over 16 years with all of our five largest customers during the Track Record Period, all of which are hospitals in Hong Kong. The table below sets out the revenue from our Group's top five customers during the Track Record Period and their respective background information:

Rank	Customer	Type of customers	Year in which our business relationship commenced	Payment method	Revenue derived from the relevant customer and its revenue contribution as a percentage of our total revenue	
					HK\$'000	%
<i>For the year ended 31 March 2016</i>						
1.	Customer A	Private hospital	2001	Cheque	7,982	15.1
2.	Customer B	Public hospital	1998	Autopay	7,269	13.7
3.	Customer C	Private hospital	1998	Cheque	4,921	9.3
4.	Customer D	Public hospital	1998	Autopay	3,703	7.0
5.	Customer E	Public hospital	1998	Autopay	3,474	6.6
				Five largest customers combined:	27,349	51.7
				Other customers:	25,527	48.3
				Total revenue:	52,876	100.0

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Rank	Customer	Type of customers	Year in which our business relationship commenced	Payment method	Revenue derived from the relevant customer and its revenue contribution as a percentage of our total revenue	
					HK\$'000	%
<i>For the year ended 31 March 2017</i>						
1.	Customer C	Private hospital	1998	Cheque	9,077	17.6
2.	Customer E	Public hospital	1998	Autopay	3,261	6.3
3.	Customer F	Private hospital	2001	Cheque	3,122	6.0
4.	Customer G	Private hospital	1998	Autopay	2,717	5.3
5.	Customer D	Public hospital	1998	Autopay	2,695	5.2
Five largest customers combined:					20,872	40.4
Other customers:					30,785	59.6
Total revenue:					51,657	100.0
<i>For the seven months ended 31 October 2017</i>						
1.	Customer C	Private hospital	1998	Cheque	3,244	10.5
2.	Customer G	Private hospital	1998	Autopay	2,354	7.6
3.	Customer F	Private hospital	2001	Cheque	2,300	7.4
4.	St. Paul's Hospital	Private hospital	1998	Cheque	2,090	6.8
5.	Customer E	Public hospital	1998	Autopay	2,086	6.7
Five largest customers combined:					12,074	39.0
Other customers:					18,884	61.0
Total revenue:					30,958	100.0

During the Track Record Period, we offered to public hospitals a credit period ranging from 30 days (for sales orders attributed to acceptance of quotations) to 30 clear working days (for sales order under a tender contract) from acceptance whereas we offered to private hospitals a credit period of 30 days from acceptance.

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During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material cancellation of orders by our customers.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or our Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer, or any of their respective close associates, has any interest in any of our five largest customers for the Track Record Period. During the Track Record Period, all our customers were Independent Third Parties.

Major terms of engagement with our customers

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our revenue attributable to our sales orders obtained through acceptance of quotation amounted to approximately HK\$41.8 million, HK\$41.6 million and HK\$23.9 million, respectively, which accounted for approximately 79.0%, 80.5% and 77.1% of our total revenue while our revenue attributable to our tender contracts amounted to approximately HK\$11.1 million, HK\$10.1 million and HK\$7.1 million which accounted for approximately 21.0%, 19.5% and 22.9% of our total revenue, respectively during the same periods.

We enter into transactions with our customers on an order-by-order basis. A purchase order typically sets out, among other things, the following principal terms:

- *Product specifications:* Our purchase orders generally include details of product model number, product code and brand name of the product.
- *Purchase amounts and unit price:* Our purchase orders include units of products to be purchased and their respective unit prices.
- *Credit term:* Our customers who place purchase orders to us are typically offered a credit period of 30 days after our products are deemed accepted.
- *Product recall:* In case of any adverse incident leading to a product recall or safety hazard alert, we are obliged to inform the customers as soon as possible.
- *Cancellation:* We generally do not accept cancellation of purchase unless we are in breach of any of the terms of the purchase order.
- *Warranty period:* We are required to repair or replace any defective products within the warranty period of typically 12 months after product acceptance.

For public hospitals and the Hospital Authority which select suppliers through a tendering process, once we are informed of their acceptance of our tender by a letter of acceptance issued by our customer, we are deemed to have entered into a tender contract which will subsequently be recorded by a formal agreement incorporating the detailed terms and conditions of the tender contract. Once the tender contracts are awarded, the public hospitals will place order on an order-by-order basis. The following summarises the salient terms of a tender contract:

BUSINESS

<i>Contract period:</i>	The term of a tender contract typically lasts for a period ranging from 12 months to 36 months from the date of contract.
<i>Product specifications:</i>	A tender contract may specify the type of products required and the technical specifications such as the materials and construction of the products required, chemical and biological requirements, sterility, shelf life, marking, packaging and the product documentation required.
<i>Product liability:</i>	Typically, we are required to supply products that comply with our customers' quality standards and specifications. If any defects in the design, manufacture or workmanship of the products are discovered within 12 months from the date of acceptance of such products, we will be required to make good such defects for our customers. We may be required to ensure our suppliers shall bear at least the same liability to remedy the defects to us as the liability undertaken by us to our customers. Pursuant to the relevant distribution agreements, any third party claims, damages, liability or costs arising out of such defects in the products supplied by our suppliers will be indemnified by them. We have also purchased product liability insurance for bodily injury and/or property damage claims arising out of the products we distribute for an aggregate amount of up to HK\$10,000,000.
<i>Quantity of the product:</i>	After we are awarded a tender contract, orders will be placed by the representative of public hospitals on an "as and when required" basis during the contract period. Purchase quantity is generally specified in purchase orders issued by customers. The quantities of products only serve as estimates and are for guidance only. The actual requirement may be more or less than the estimated figure stated in the contract and we are prepared to accept any increase or decrease by 30% to 50% of the total contract value.

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<i>Delivery:</i>	Products are delivered to customers on “free-into-store” basis whereby all freight and delivery costs are borne by us.
<i>Credit term:</i>	Customers are generally offered a credit term of 30 clear working days after our products are deemed accepted. Payment from our customers is usually settled by way of wire transfer or cheque.
<i>Product recall:</i>	<p>In the event of any incident relating to our medical devices that leads to a product recall, safety alert and defect notification, we will inform the MDCO and customers in writing as soon as possible. We are also required to liaise with the manufacturers for product monitoring and provide replacement for the rejected quantity of the defective or damaged products identified by the customers in a timely manner.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or product recall, as well as any liability claim in relation to the same.</p>
<i>Anti-corruption:</i>	We are required to comply with the Prevention of Bribery Ordinance and related subsidiary rules and regulations and undertake not to engage in bribery and corruptive act at all relevant times. For details of the anti-corruption measures implemented by our Group, please refer to the paragraph headed “Internal control and risk management” of this section.

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Termination:

Our customers may at any time by notice in writing terminate the tender contracts if we:

- (i) fail to provide goods that meet the customers' contractual specifications and we fail to remedy the situation in accordance with the customers' requirements;
- (ii) become insolvent or enter into any composition or arrangement with our creditors or pass a resolution for winding up (other than for the purpose of amalgamation or reconstruction) or receive a winding up notice or petition or the court shall make an order for the liquidation of our assets or receiver or manager shall be appointed on behalf of the debenture holders over the whole or part of our assets, or circumstances shall have arisen which entitle the court or debenture holders to appoint a receiver or manager, or suffer distress or any form of execution against us;
- (iii) any of our employee or agent shall be found to have committed an offence under the Prevention of Bribery Ordinance or any subsidiary legislation made thereunder or under any law of a similar nature in relation to the contract or any other contract with the public hospitals;
- (iv) cease or threaten to cease to carry on our business; and
- (v) are in breach of any terms of the tender contract and fail to rectify such breach within seven days of being required to do so by the customer.

OUR SUPPLIERS

During the Track Record Period and up to the Latest Practicable Date, we sourced a wide spectrum of medical devices from over 40 suppliers which mostly comprised overseas medical device manufacturers. Unless our customers specify, we usually select our suppliers from our internal list of approved suppliers which is reviewed and updated periodically based on various factors such as track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

Our total purchases amounted to approximately HK\$29.7 million, HK\$23.0 million and HK\$14.0 million, respectively, during the Track Record Period. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, our purchases from our five largest suppliers amounted to approximately HK\$27.4 million, HK\$20.5 million and HK\$13.0 million, respectively, which accounted for approximately 92.2%, 89.1% and 92.7% of our total purchases, respectively. During the same periods, purchases from our largest supplier amounted to approximately HK\$13.5 million, HK\$7.1 million and HK\$5.4 million, respectively, which accounted for approximately 45.4%, 31.1% and 38.7% of our total purchases, respectively. As at the Latest Practicable Date, we had established a business relationship of over 12 years with four of our five largest suppliers during the Track Record Period. Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

BUSINESS

Rank	Supplier	Exclusive distributorship (Note 1)	Restriction to supply comparable products (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase HK\$'000	%
<i>For the year ended 31 March 2016</i>														
1.	Supplier A	No	Yes	A medical equipment manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which is a leading global medical technology company partnered with healthcare providers in more than 100 countries by focusing on patient care solutions that improve clinical and economic outcomes	Medical equipment	Electric beds, mattresses, furniture used in wards	2005	30 September 2018	Yes	Yes	60	Telegraphic transfer	13,500	45.4
2.	Supplier B (Note 5)	Yes	Yes	A medical device manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which engages in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public primarily in the United States and all over the world by distributors	Medical consumables Medical instruments	Biopsy needles, scissors and forceps for operation and general ward usage	2001	30 June 2018	Yes	Yes	90	Telegraphic transfer	4,868	16.4

BUSINESS

Rank	Supplier	Restriction to supply comparable products (Note 1)	Exclusive distributorship (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase	
											(Days)		HKS'000	
													%	
3.	Cardinal Health 200, LLC ^(Note 6)	Yes	Yes	A medical device manufacturer, a subsidiary of Cardinal Health, Inc., a company listed on the New York Stock Exchange, which is a global integrated healthcare services and product company providing customised solutions for hospital systems, pharmacies, ambulatory surgery centres, clinical laboratories and physician offices worldwide	Medical consumables	Suction liners and tubings, drapes, surgical gloves	2001	30 June 2018	No	Yes	60	Telegraphic transfer	3,547	11.9
4.	Teleflex Medical Europe Ltd.	No	No	A medical device manufacturer, a subsidiary of Teleflex Incorporated, a company listed on the New York Stock Exchange, which primarily designs, develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications	Medical consumables Medical instruments	Ligation clips, laparoscopic instruments for minimally invasive surgery	2003	31 December 2019	Yes	Yes	30	Telegraphic transfer	3,424	11.5

BUSINESS

Rank	Supplier	Exclusive distributorship (Note 1)	Restriction to supply comparable products (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase		
											(Days)		HKS'000		
5.	Supplier (Note 7)	No	No	A medical device manufacturer which is headquartered in France	Medical consumables	Needleless connectors	2015	N/A	N/A	N/A	Payment in advance	Telegraphic transfer	2,060	7.0	
1.	Teleflex Medical Europe Ltd.	No	No	A medical device manufacturer, a subsidiary of Teleflex Incorporated, a company listed on the New York Stock Exchange, which primarily designs, develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications	Medical consumables Medical instruments	Ligation clips, laparoscopic instruments for minimally invasive surgery	2003	31 December 2019	Yes	Yes	30	Telegraphic transfer	7,147	31.1	
													Five largest suppliers combined:	27,399	92.2
													Other suppliers:	2,324	7.8
													Total purchases:	29,723	100.0

For the year ended 31 March 2017

BUSINESS

Rank	Supplier	Restriction to supply comparable products (Note 1)	Exclusive distributorship (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase HK\$'000	%
2.	Supplier A	Yes	No	A medical equipment manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which is a leading global medical technology company partnered with healthcare providers in more than 100 countries by focusing on patient care solutions that improve clinical and economic outcomes	Medical equipment	Electric beds, mattresses, furniture used in wards	2005	30 September 2018	Yes	Yes	60 (Days)	Telegraphic transfer	4,912	21.3
3.	Supplier B (Note 5)	Yes	Yes	A medical device manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which engages in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public primarily in the United States and all over the world by distributors	Medical consumables Medical instruments	Biopsy needles, scissors and forceps for operation and general ward usage	2001	30 June 2018	Yes	Yes	90	Telegraphic transfer	3,589	15.6

BUSINESS

Rank	Supplier	Restriction to supply comparable products (Note 1)	Exclusive distributorship (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase		
											(Days)		HKS'000		
													%		
4.	Cardinal Health 200, LLC ^(Note 6)	Yes	Yes	A medical device manufacturer, a subsidiary of Cardinal Health, Inc., a company listed on the New York Stock Exchange, which is a global integrated healthcare services and product company providing customised solutions for hospital systems, pharmacies, ambulatory surgery centres, clinical laboratories and physician offices worldwide	Medical consumables	Suction liners and tubings, drapes, surgical gloves	2001	30 June 2018	No	Yes	60	Telegraphic transfer	2,604	11.3	
5.	Supplier C ^(Note 7)	No	No	A medical device manufacturer which is headquartered in France	Medical consumables	Needless connectors	2015	N/A	N/A	N/A	Payment in advance	Telegraphic transfer	2,258	9.8	
													Five largest suppliers combined:	20,510	89.1
													Other suppliers:	2,504	10.9
													Total purchases:	23,014	100.0

BUSINESS

Rank	Supplier	Exclusive distributorship (Note 1)	Restriction to supply comparable products (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase HK\$'000	%
<i>For the seven months ended 31 October 2017</i>														
1.	Supplier A	No	Yes	A medical equipment manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which is a leading global medical technology company partnered with healthcare providers in more than 100 countries by focusing on patient care solutions that improve clinical and economic outcome	Medical equipment	Electric beds, mattresses, furniture used in wards	2005	30 September 2018	Yes	Yes	60	Telegraphic transfer	5,433	38.7
2.	Cardinal Health 200, LLC (Note 6)	Yes	Yes	A medical device manufacturer, a subsidiary of Cardinal Health, Inc., a company listed on the New York Stock Exchange, which is a global integrated healthcare services and product company providing customised solutions for hospital systems, pharmacies, ambulatory surgery centres, clinical laboratories and physician offices worldwide	Medical consumables	Suction liners and tubings, drapes, surgical gloves	2001	30 June 2018	No	Yes	60	Telegraphic transfer	2,543	18.1
3.	Supplier C (Note 7)	No	No	A medical device manufacturer which is headquartered in France	Medical consumables	Needless connectors	2015	N/A	N/A	N/A	Payment in advance	Telegraphic transfer	2,242	16.0

BUSINESS

Rank	Supplier	Exclusive distributorship (Note 1)	Restriction to supply comparable products (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase HK\$'000	%
4.	Supplier B (Note 5)	Yes	Yes	A medical device manufacturer, a subsidiary of a company listed on the New York Stock Exchange, which engages in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public primarily in the United States and all over the world by distributors	Medical consumables Medical instruments	Biopsy needles, scissors and forceps for operation and general ward usage	2001	30 June 2018	Yes	Yes	90 (Days)	Telegraphic transfer	1,935	13.8

Rank	Supplier	Exclusive distributorship (Note 1)	Restriction to supply comparable products (Note 1)	Background of the supplier	Type of products purchased by our Group	Example of products purchased by our Group	Year in which our business relationship commenced	Expiry date of existing distribution agreement (if any) (Note 2)	Whether the relevant distribution agreement (if any) was renewed or extended during the Track Record Period and up to the Latest Practicable Date	Minimum purchase target set out in existing distribution agreement (if any) (Note 3)	Typical credit term or payment term offered by our suppliers (Note 4)	Payment method	Our purchases from the relevant supplier as a percentage of our total purchase
											(Days)		HKS'000
5.	Teleflex Medical Europe Ltd.	No	No	A medical device manufacturer, a subsidiary of Teleflex Incorporated, a company listed on the New York Stock Exchange, which primarily designs, develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications	Medical consumables Medical instruments	Ligation clips, laparoscopic instruments for minimally invasive surgery	2003	31 December 2019	Yes	Yes	30	Telegraphic transfer	854
													6.1
													13,007
													1,025
													92.7
													7.3
													14,032
													100.0

Five largest suppliers combined: 13,007 92.7
Other suppliers: 1,025 7.3

Total purchases: 14,032 100.0

Notes:

- Please refer to the paragraph headed "Our suppliers – Major terms of the distribution agreements with our suppliers" of this section below for details.
- Save for the distribution agreement with Cardinal Health 200, LLC, which will be automatically renewed for successive terms of one year unless and until otherwise terminated by either party, the term of the distribution agreements is generally terminated upon expiry unless otherwise agreed by the parties.
- Please refer to the paragraph headed "Our suppliers – Annual purchase targets under the distribution agreements with certain of our suppliers" of this section below for details.
- During the Track Record Period, our suppliers offered us a credit period ranging from 30 days to 90 days from the date of invoice.
- This includes Supplier B and its parent company which is listed on the New York Stock Exchange and from which we started purchasing in September 2017.
- This includes Cardinal Health 200, LLC and its affiliated entities incorporated in Malta, Thailand and Singapore, which are under common control of the same parent company, Cardinal Health, Inc..

7. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any distribution agreement with Supplier C. As at the Latest Practicable Date, we had been negotiating with Supplier C in contemplation of entering into a distribution agreement.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, none of our Directors or our Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer, or any of their respective close associates, had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, all of our suppliers were Independent Third Parties.

Major terms of the distribution agreements with our suppliers

We believe that we have established ourselves as a trusted distributor of our suppliers which are major overseas medical device manufacturers. It is our policy to enter into distribution agreements with our major suppliers to govern our relationship with them. As at the Latest Practicable Date, we had entered into nine distribution agreements with our suppliers, of which four were exclusive and five were non-exclusive. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, sales of medical devices sourced under our distribution agreements accounted for approximately 85%, 76% and 76% of our total revenue, respectively. The salient terms of our existing distribution agreements are generally as follows:

Contract period: The term of the distribution agreements typically ranges from one to three years. For the details of the contract term of our distribution agreements with our five largest suppliers, please refer to the table under the paragraph headed “Our suppliers” of this section above.

Area of distribution: We are entitled to distribute products in Hong Kong.

Exclusive distributorship: In the event that we are appointed an exclusive distributor in Hong Kong, we will be given an exclusive right to promote, market, sell and distribute certain products as stipulated in the relevant agreement and the relevant suppliers may not appoint another distributor to sell the same products in Hong Kong. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, sales of medical devices sourced under the exclusive distribution agreements pursuant to which we were granted exclusive rights to distribute in Hong Kong accounted for approximately 32%, 31% and 31% of our total revenue, respectively.

If we are granted a non-exclusive right to promote the sale of and develop markets for certain products in Hong Kong, the suppliers will be entitled to appoint other distributors to sell other products in Hong Kong. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, sales of medical device sourced under the non-exclusive distribution agreements pursuant to which we were granted non-exclusive right to distribute in Hong Kong accounted for approximately 53%, 45% and 44% of our total revenue, respectively.

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<i>Restriction to supply comparable products:</i>	We may be required to purchase certain products exclusively from the supplier and we may not be permitted to offer or sell any products which are of the same kind as, similar to and/or competing with the products provided by the suppliers in Hong Kong.
<i>Purchase target:</i>	We are subject to certain annual purchase targets imposed by certain suppliers during the term of the distribution agreements with them, failing which those suppliers are entitled to terminate the agreements. Please refer to the paragraph headed “Our suppliers – Annual purchase targets under the distribution agreements with certain of our suppliers” in this section for details.
<i>Ordering, price and payment term:</i>	We are required to place purchase orders setting out the quantity ordered, price per item, requested delivery date and shipping instructions to the suppliers. The purchase prices are determined based on the unit prices listed in the agreement or the price list provided by suppliers. We may be required to settle the payment within a credit term ranging from 30 days to 90 days after the date of invoice. In some cases, for some suppliers with a relatively shorter business relationship with us, we may be required to settle the purchase price by way of advance payment prior to delivery of the products. Our suppliers may be entitled to charge interest for any overdue payment. All payment must be made in US\$, Euro or GBP.
<i>Delivery:</i>	Products are delivered typically on ex-works basis whereby the suppliers are responsible for having the products readily available for pick-up at the suppliers’ warehouses or locations designated by the suppliers. Once the products are placed at our disposal, we are required to bear all risks and costs of transporting the products (including shipping costs, insurance, customs duties and sales and excise taxes).

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<i>Title and risk of loss:</i>	Title to the products and legal risks are passed to us when the products are removed from our suppliers' warehouses or locations designated by the suppliers.
<i>Insurance:</i>	We may be required to maintain appropriate product liability or general liability insurance policies providing coverage in an amount acceptable to the supplier. We are also responsible for relevant goods-in-transit insurance during shipment of the products.
<i>Product liability:</i>	The suppliers are required to supply products that comply with their applicable quality standards. If any defects are discovered in the manufacture, materials or workmanship of the products, the suppliers shall repair or replace the products and indemnify us from and against any third party claims, damages, liability or costs arising out of such defects.
<i>Product recall and product return:</i>	<p>We may return defective or damaged products provided that such defect or damage is not attributable to our negligence.</p> <p>In the event of a product recall, we shall seek approval from the suppliers and the parties shall cooperate with each other, including without limitation, the communications with our customers. In addition, we are required to establish, maintain and make available to representatives of the suppliers complete and accurate records, including a register of lot numbers, customers' names and addresses for all products sold by us.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or product recall, as well as any liability claims in relation to the same.</p>

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Warranty period:

Most of our suppliers provide warranty and after-sale services and will repair or replace any defective products or parts during the warranty period. The duration of the warranty period is typically one year. Certain suppliers provide life-time warranty in specific circumstances, such as in the event of defects attributable to the manufacturer.

Intellectual property and proprietary information:

We typically agree to protect the intellectual property rights of our customers and not to disclose any confidential or proprietary information to third-party. We may not use any processes or technical know-how of our customers for the production of our own products or products of other customers.

Anti-corruption:

We may be required to warrant that we shall comply with the anti-bribery legislation applicable to the jurisdiction where our suppliers are domiciled.

Indemnity:

We may be required to indemnify the suppliers against any liabilities, losses and damages by reason of our act or omission in the performance or non-performance of the distribution agreement or in consequence of any breach of law or any error, mistake or negligence on our part or arising out of or related to our participation in any trade fair, exhibitions or similar event where the products are promoted or displayed.

The suppliers may be required to indemnify us against any liabilities, losses and damages on account of any infringement by the products of any patent or trademark or any property damage or personal injury arising solely out of any defect in suppliers' manufacture, materials or workmanship of any products.

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Termination:

Our suppliers may at any time by notice in writing terminate the distribution agreements if:

- (i) we commit a breach of the distribution agreement and fail to remedy such breach within a certain period;
- (ii) the suppliers serve a written notice of 30 to 120 days to terminate without cause;
- (iii) we fail to meet the minimum purchase commitment in a given financial year or the suppliers determine that it is unlikely for us to meet the minimum purchase commitment; or
- (iv) we are in breach of any terms of the distribution agreements and fail to rectify such breach within seven days of being required to do so by the customer.

Annual purchase targets under the distribution agreements with certain of our suppliers

We usually enter into distribution agreements with our suppliers to govern our relationship with them. Annual purchase targets are normally imposed during the term of the distribution agreements, failing which our suppliers may be entitled to terminate the agreements. During the Track Record Period and up to the Latest Practicable Date, we did not meet some of the purchase targets prescribed by some of our suppliers.

In respect of our five largest suppliers during the Track Record Period:

- we were able to meet the purchase targets imposed by Supplier B for two consecutive years ended 30 June 2016. Although we were unable to meet the purchase target imposed by Supplier B for the year ended 30 June 2017, Supplier B renewed its distribution agreement with us for the year ending 30 June 2018;
- we were unable to meet the purchase targets imposed by Teleflex Medical Europe Ltd. for the nine months ended 31 December 2015 but we were able to meet the purchase targets imposed by it for the year ended 31 December 2016. Teleflex Medical Europe Ltd. continued its business relationship with our Group by renewing its distribution agreement with us for the year ending 31 December 2019;
- although we were unable to meet the purchase targets imposed by Cardinal Health 200, LLC and Supplier A during the Track Record Period, both of these suppliers continued to do business with us by renewing their respective distribution agreements with us for the year ending 30 June 2018 and 30 September 2018, respectively; and
- no purchase target was imposed by Supplier C during the Track Record Period.

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That said, our Directors believe that our failure to meet some of the purchase targets will not result in any material adverse impact on our Group's business operation and financial condition on the following grounds:

- (a) Our Directors believe that all relevant suppliers which impose such purchase targets (the “**Relevant Suppliers**”) would consider a number of factors, such as (i) the number of years of business relationship with the distributor; (ii) the coverage and stability of customer base of the distributor; (iii) the knowledge and expertise of the distributor's staff; (iv) the frequency of claims and disputes with the distributor and its customers; and (v) the actual amount of purchases made by the distributor in the past, before they consider to renew, extend or terminate a distribution agreement. Based on our past experience with the Relevant Suppliers, we further believe that the Relevant Suppliers will not terminate a distribution agreement solely because of the distributor's failure to satisfy the purchase targets without taking into account other relevant factors as described above.

- (b) Our business relationship with the Relevant Suppliers remains unaffected despite our failure to meet some of the purchase targets during the Track Record Period. We consider that the likelihood for the Relevant Suppliers to terminate the distribution agreement on the ground of our failure to meet the purchase targets is low on the bases that:
 - (i) we have developed a long-term business relationship ranging from 12 years to 16 years with four of our five largest suppliers which imposed purchase targets on us during the Track Record Period and we believe we have established ourselves as a trusted distributor for the Relevant Suppliers;
 - (ii) with over 19 years of experience in the medical device market in Hong Kong, we believe that our in-depth product knowledge and expertise as well as our long-term business relationship with our customers in Hong Kong (further details of which are set out in the paragraph headed “Business – Value chain, our business model and operation” of this prospectus) allow us to play a key role as a medical device distributor capable of providing one-stop medical device solutions which would induce the Relevant Suppliers to distribute medical devices through us, even though we did not meet some of the purchase targets prescribed by the Relevant Suppliers;
 - (iii) as at the Latest Practicable Date, the distribution agreements with the Relevant Suppliers remained subsisting and the Relevant Suppliers had not exercised any right to terminate the distribution agreements on the ground that we failed to meet the purchase targets prescribed by the Relevant Suppliers. Furthermore, Teleflex Medical Europe Ltd. has confirmed that it will not terminate their distribution agreement with us if we fail to attain the purchase targets for the year ending 31 December 2017;

BUSINESS

- (iv) although the distribution agreements with Supplier A, Teleflex Medical Europe Ltd. and Supplier B had expired in September 2015, December 2015 and June 2017, respectively, these suppliers agreed to renew their distribution agreements with us even though we did not meet the purchase targets prescribed by them under those distribution agreements; and
 - (v) we were never subject to any claims and disputes with the Relevant Suppliers in connection with any failure to meet the purchase targets under the distribution agreements.
- (c) There are alternative suppliers in the market which can supply similar products on comparable terms. As Ms. Wong, our chairman, chief executive officer and executive Director, has over 25 years of experience in our industry, she has maintained well-established business connections and working relationship with key suppliers in the industry. With our established market presence in Hong Kong, in the unlikely event that our relationship with any of the Relevant Suppliers is terminated, we believe we will be able to approach other suppliers and purchase the same products from them on comparable terms and in a timely manner.

RESEARCH AND DEVELOPMENT

We also pride ourselves on our ability in product development. We have continuously placed emphasis on product development principally through our in-house R&D efforts.

Our in-house R&D

Our R&D team is led by Ms. Wong, our founder, chairman, chief executive officer, executive Director and Controlling Shareholder, and Mr. Lau Wai Man, our assistant marketing and project manager, who is knowledgeable in biomedical engineering. Please refer to the section headed “Directors, senior management and staff” of this prospectus for their biographical details.

Leveraging on our years of experience in sales of medical devices, our product know-how and our relationship with reputable manufacturers of medical devices, we believe that we are well-positioned to assimilate technological advances, strengthen our product development efforts and expand our product portfolio with functionality that addresses our customers’ requirements. Our close connections with major overseas medical device manufacturers also provide us with valuable market information and intelligence in relation to the latest technology, industry trends and market development, which enhance our ability to adapt to changing market needs for product development. As such, we have continuously placed emphasis on product development through our in-house R&D efforts.

During the Track Record Period, we focused our R&D efforts on far-infrared technology and had utilised such technology and developed new products, details of which are set out in the paragraph headed “Product development” in this section below.

BUSINESS

During the two years ended 31 March 2017 and the seven months ended 31 October 2017, our R&D expenditure amounted to approximately HK\$0.5 million, HK\$0.5 million and HK\$0.3 million, respectively, which accounted for approximately 0.9%, 1.0% and 0.9% of our total revenue, respectively. The expenditure primarily consists of staff costs, intellectual property right relevant costs, sample costs and testing fee, which are included in the amounts disclosed in the administrative and other operating expenses for the two years ended 31 March 2017 and the seven months ended 31 October 2017.

Product development

We seek to expand our product offering and develop the following new products:

Healthcare products utilising far-infrared technology

Nursing bra



During the Track Record Period, we utilised far-infrared technology, which helps relieve pain and stress, improve blood circulation and maintain body temperature, to develop a nursing bra under our **FECH** brand which is expected to improve lactation and prevent breast duct obstruction. Targeted at female customers during and after pregnancy, the nursing bra is specially designed for easy breast-feeding and it contains reusable or disposable pads which can be easily changed.

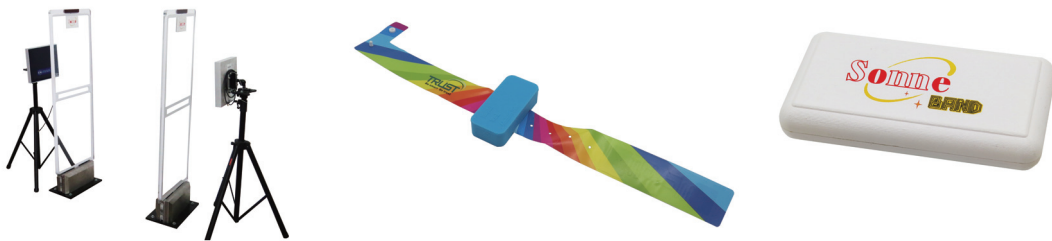
In January 2018, we were granted a utility model patent by the State Intellectual Property Office of the PRC for our nursing bra.

Far-infrared Pillow



Our far-infrared pillow under our **FECH** brand which utilises a combination of the technologies of far-infrared radiation and silicone gel for improving the sleep quality. It is infused with silicone gel which draws the body heat away and brings cooling effect to the users, and is attached the far-infrared radiation capsules on the surface of the pillow. These capsules will release far-infrared radiation in order to relieve pain and stress by expanding blood vessels and increasing circulation. Our far-infrared pillow can disperse the head pressure naturally and fit the human cervical vertebrae to preserve the natural curve of the users' necks and maintain the health of their cervical vertebrae.

Security system designed for hospitals and elderly care homes



While our products are mostly sold to hospitals, we see emerging growth opportunities in the elderly care home market. To further tap into this market, we have, through our R&D efforts, developed a hybrid security system under our **Somme** brand, by utilising a combination of technologies, such as EAS and RFID, for hospitals and elderly care homes to prevent missing of patients and medical equipment or elderly residents (as the case may be). Our security system is currently in the testing stage. In January 2016, we collaborated with a department of the HK Government (whose health sector division is responsible for providing engineering support to public hospitals) to conduct testing and commissioning of our security system for use in a public hospital.

In September 2015, our design for the housing of a security tag was registered with the Designs Registry of the Intellectual Property Department in relation to the security system designed for hospitals and elderly care homes. We were granted two patents by the Patents Registry of the Intellectual Property Department and a patent by the United States Patent and Trademark Office in relation to the security system designed for hospitals and elderly care homes in December 2016 and January 2018, respectively. In March 2016, we obtained CE certification for our EAS disposable model tag. Since product development of our Group was still in the early stage as at the Latest Practicable Date, our Group only generated approximately HK\$75,000 from sales of products developed by us during the Track Record Period.

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In addition to the above, we plan to further focus our R&D efforts on the following:

- continue to optimise the existing security system by (a) combining the hardware components (such as reader and controller) to reduce the size of the hardware and improve the effectiveness of installation and space resources of the system; and (b) modify the existing security tag location (such as embedding the security tag inside the patients’ shoes or clothing) in order to enhance the effectiveness of the security system;
- develop a tracking system software and mobile app in support of the above security system to allow monitoring and surveillance through smart phones;
- apply for CE certification on our in-patient hybrid security systems and security tags to ensure our products comply with applicable stringent safety regulations and international standards;
- conduct further testing on our nursing bra by an independent laboratory to (a) evaluate the breast milk quality after using the nursing bra and assess the extent of impact of our nursing bra on the nutrition quality of the breast milk; and (b) conduct product material safety and allergy testing on our far-infrared clothing products to ensure our products are safe to use; and
- in addition to our nursing bra, develop other rehab clothing products such as gloves, girdles and other rehab clothing for wrist, elbow, knee and ankle utilising far-infrared technology.

The following table sets out further details on the nature/purpose, estimated timeline, status of our R&D activities and their estimated expenditures which are expected to be financed by the net proceeds from the Share Offer:

R&D activities	Nature/purpose	Estimated timeline	Status	Estimated expenditures HK\$
(1) Combine hardware components and modify the existing security tag location.	Purchase security system hardware to develop prototype for simulation purpose so as to improve the effectiveness in terms of space resources and installation of the system and then explore the possibility of redesigning a new tag with smaller size.	1 July 2018 – 30 June 2019	As at the Latest Practicable Date, our Group had (i) obtained patents in Hong Kong and the United States and was in the process of applying for a patent in the European Union for our hybrid security system; and (ii) provided the security system to some elderly care homes and hospitals for trial use and they had requested for quotations from our Group.	209,100

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R&D activities	Nature/purpose	Estimated timeline	Status	Estimated expenditures HK\$
(2) Develop a software and mobile app for our security system	Purchase laptops for software and mobile app development for our security system to allow surveillance through smart phones on real time basis.	1 July 2018 – 30 September 2019	Not yet started	20,000
(3) Apply for CE certification on in-patient hybrid security system and various tag application i.e. hybrid security tags, shoe tag and laundry tag etc.	Having CE certification could boost customers' confidence on our security system and enable our security system to be marketed in the Europe.	1 July 2018 – 30 June 2020	Not yet started	100,000
(4) Test product	Conduct safety testing to	1 April 2018 – 31 March 2019	We have commissioned the independent laboratories to	
	(a) evaluate the breast milk quality after using our nursing bra and assess the impact of various nutrition quality level by an independent laboratory; and		conduct (i) milk quality test on our nursing bra in terms of bacteria level and (ii) far-infrared emissivity test on our far-infrared cloth materials. The test results were satisfactory.	500,000
	(b) conduct material safety and allergy testing on far-infrared clothing products by an independent laboratory			57,000
(5) Use far-infrared technology to develop other rehab clothing products such as gloves, girdles and other rehab clothing for wrist, elbow, knee and ankle	Purchase a seamless knitting machine with computer programme, for automating the production of far-infrared rehab clothing so as to produce prototype with different designs and features.	1 October 2019 – 31 December 2019 (after we successfully market our nursing bra to customers)	Not yet started	420,000

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details of our implementation plans of our R&D.

INVENTORY MANAGEMENT

During the Track Record Period, our inventory balance as at 31 March 2016 and 2017 and as at 31 October 2017 amounted to approximately HK\$14.7 million, HK\$13.7 million and HK\$14.0 million, respectively, and such amounts represented the value of medical devices to satisfy our customers' demand. For medical consumables, we usually maintain an inventory level of three months' supply of products which may vary according to our customers' demand based on the record of historical orders made by our customers and sales projection derived from customers' preferences and market trend. For medical equipment, we usually source the products from our suppliers on a back-to-back basis after our customers' orders are confirmed, after taking into account the lead time between order and actual delivery as our products are mainly from overseas suppliers so as to lower overhead expenses such as administrative and transportation costs, resulting in an efficient operation and a smooth inventory management of our Group.

We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value. When obsolete or expired products are discovered, our warehouse supervisors will notify our finance department to write off the inventory. Once the obsolete or expired products have been identified and verified, they will be removed from the physical stock location and adjustment will be made to our financial reporting system. During the Track Record Period, we had written off approximately HK\$161,000, HK\$220,000 and HK\$158,000 of our inventories, respectively. Please refer to the paragraph headed "Financial information – Description and analysis of selected items of consolidated statements of financial position – Inventories" of this prospectus for further details of our inventories.

Our average inventory turnover days were 168 days, 202 days and 201 days during the two years ended 31 March 2017 and the seven months ended 31 October 2017, respectively. We generally sell our products on a first-in-first-out basis. To minimise the risk of building up inventory, we adopt inventory management policies, pursuant to which we regularly review our inventory level through our information technology system and by carrying out physical stock counts and stock inspections internally, generally on a monthly basis, to monitor inventory movements of each type of products, and adjustments are made to the procurement as necessary to maintain a reasonable inventory level for each type of products, and to ensure on time delivery of products to our customers.

Based on the above, we believe that we manage our inventory at a reasonable level in order to minimise storage space and carrying costs, enhance working capital efficiency and reduce the risk of deterioration of products while in storage, which is especially important for our quality control policy.

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WAREHOUSING AND STORAGE

As at the Latest Practicable Date, we had rented two warehouse facilities located in Tsuen Wan, New Territories, Hong Kong with total saleable area of approximately 12,100 sq.ft. where all the products procured from our suppliers were stored. The following table sets forth the details of our warehouses:

<u>Warehouse</u>	<u>Location</u>	<u>Rental period</u>	<u>Saleable area</u> <i>(sq.ft.)</i>
Warehouse A	Units B1-2 & B4-5 22/F, Block B Kong Nam Industrial Building 603-609 Castle Peak Road Tsuen Wan New Territories Hong Kong	From 1 December 2017 to 30 November 2019	8,032
Warehouse B	Units 6-7, 22/F, Block B Kong Nam Industrial Building 603-609 Castle Peak Road Tsuen Wan New Territories Hong Kong	From 2 August 2016 to 1 August 2018	4,064

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, we incurred rental expenses on warehouses facilities of approximately HK\$1.4 million, HK\$1.7 million and HK\$1.0 million, respectively. Our Directors do not foresee any major difficulties or impediments in renewing the relevant tenancy agreements upon their expiration.

QUALITY CONTROL

We have implemented the following quality control measures to ensure that the quality of products we distribute strictly conforms to the quality standard required by our customers.

Inspection and examination

Our quality control team, which is led by Mr. Lee and Ms. Lam Oi Lin who have over 19 years and 17 years of industry experience, respectively, is responsible for quality control of the products we distribute. After the products have arrived at our warehouses, our warehouse supervisors will conduct inspection and testing on the functionality and durability of the received products on a sampling basis to ensure that they are able to meet the specifications and are in good conditions for sale. Before we deliver products to our customers, our quality control team inspects the documentation and other information that may impact product quality.

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Our warehouse supervisors also conduct sample checks manually on a monthly basis to ensure the products we procure have sufficient shelf life before we sell to our customers. For customers which are public hospitals, the shelf life of the products shall not be less than 24 months from the date of receipt by them. We would dispose of damaged products that are unsold, returned or expired. Any products failing to pass the quality checks will be returned to the suppliers at their own cost.

We permit representatives from suppliers to inspect the inventories of the products maintained by us. We also, upon request by the public hospitals, permit its representatives to inspect or examine warehouse or distribution operation (such as logistics, manpower, facilities or transportation arrangements) in respect of the products. We shall take or cause to be taken any reasonable action to rectify any reasonable concerns raised by the public hospitals following inspection or examination and furnish them with a report on the action taken within such timeframe as reasonably requested by the public hospitals.

Customers' feedback

We take our customers' feedback on our products seriously and we have implemented measures to handle customers' feedback effectively. Our sales and marketing personnel would accept all customers' feedback by way of fax, telephone and email to ensure a timely response to all customer concerns. Upon receipt of our customers' feedback, our sales and marketing personnel will gather information and/or the particular product in question from our customers. We are required to report to our suppliers all customers' feedback in a timely manner in order for all necessary investigations and actions to take place. Suppliers will provide us the results of investigations and we are responsible for responding to customers. Our Directors believe that the above measures can protect the rights of our customers, help us reinforce our quality control standards to our consumers and instil our customers' confidence in our products.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material quality issue or safety issue that involved serious injury or public health concern, neither had we been subject to any material product liability or legal claims that had a material effect on our business or results of operation.

TRANSPORTATION

We have engaged independent transportation service providers to provide transportation and logistics services for product delivery to our customers. We engage such services on an order-by-order basis. We require the service providers to follow our instructions to ensure that our products are transported under proper conditions and in accordance with specific delivery destination and time. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, we incurred approximately HK\$0.8 million, HK\$0.8 million and HK\$0.4 million, respectively, for the transportation services, representing approximately 1.5%, 1.5% and 1.4% of our revenue for the respective period.

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HONOURS AND AWARDS

We have received various awards and recognitions from our suppliers, details of which are set out below:

<u>Year</u>	<u>Award/recognition</u>	<u>Awarding body</u>
2017	Acknowledgement of Great Performance for 2016	One of our suppliers in the business of medical technologies
2017	Best Practice 2016/2017 – Winner	One of our suppliers in the business of integrated healthcare services and products
2013	Outstanding Achievement in Sales for 2012	One of our suppliers in the business of medical technologies
2012	Quota Achiever for 2011	One of our suppliers in the business of medical solutions
2005	Dealer of the Year 2004	One of our suppliers in the business of development of biotherapeutics

COMPETITIVE LANDSCAPE

The medical device market in Hong Kong is fragmented with hundreds of market players, involving both manufacturers and distributors from Hong Kong and overseas. According to the Frost & Sullivan Report, our Group is a tier II distributor in Hong Kong medical device market, accounting for a market share of approximately 2.5% of the overall market of the tier I, tier II and tier III medical device distributors in 2016. Please refer to the paragraph headed “Industry Overview – Competitive landscape of the Hong Kong medical device market” of this prospectus.

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EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 24 full-time employees in Hong Kong. The following table sets forth the total number of our employees by function as at the Latest Practicable Date:

Function	Number of our employees
Management	2
Sales and marketing	6
R&D	1
Warehouse management	2
Human resources and administration	8
Service engineering	3
Finance and accounting	2
Total	<u>24</u>

Relationship with our staff

Our Directors consider that we have maintained a good relationship with our employees. During the Track Record Period, we had not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we had not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of around three months. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. We provide our employees with occupational safety trainings to enhance their awareness of safety issues relating to the handling of medical devices.

Remuneration policy

The remuneration package we offer to our employees includes salary, commissions, bonuses and other cash subsidies. In general, our Group determines employees' salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

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Our Group operates MPF scheme for all qualifying employees in Hong Kong. During the two years ended 31 March 2017 and the seven months ended 31 October 2017, the total expenses recognised in our Group's consolidated statements of comprehensive income amounted to approximately HK\$221,000, HK\$257,000 and HK\$151,000, respectively, which represent contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

During the Track Record Period, our Group complied with the applicable laws and regulations related to labour and employee benefit plans in all material respect.

INSURANCE

We may be required to maintain appropriate product liability or general liability insurance policies. We have purchased product liability insurance for bodily injury and/or property damage claims arising out of the products we distribute for an aggregate amount of up to HK\$10,000,000. In addition, we also have insurance coverage including employees' compensation insurance, office insurance (which covers loss and theft of, and damage to property such as our inventories in our warehouses) and third party liability insurance for use of our vehicles. For the two years ended 31 March 2017 and the seven months ended 31 October 2017, we incurred expenses for such insurance policies in the amount of approximately HK\$74,000, HK\$48,000 and HK\$97,000, respectively. We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor had we been the subject of any material insurance claims.

OCCUPATIONAL HEALTH AND SAFETY

Our Group emphasises on creating and sustaining a healthy and safe work environment for our employees. We continue to enjoy effective communication throughout both within and outside our Group, with respect to our employees. We are further contractually required to take all reasonable steps to ensure health and safety at work of all our employees performing our obligations. Details of such occupational safety measures are as follows:

- we provide and maintain plant and system of work that are safe and without risks to health;
- we conduct regular work safety risk assessment and make arrangement to ensure the safety and absence of risks to staff's health in connection with the use, handling, storage and transportation of medical devices;
- we provide adequate information, instructions, training and supervision to employees on work safety;

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- we comply with the Hospital Authority's infection control policy guidelines and procedures, including personal protective equipment, hospital's house rules and emergency procedures; and
- we keep and provide proper documentation of training records, incident reports and inspection records if required by the Hospital Authority.

We have implemented internal training programmes and a workplace health and safety memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. Our human resources and administration department has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety and had not been involved in any accident or fatality.

ENVIRONMENTAL MATTERS

We are required to address our customers' environmental concerns during the quotation evaluation process and the tendering process. Hence, we adhere to environmental friendly measures in the preparation of our quotations and tender submission. For instance, all tender documents are printed on both sides and on recycled paper. Excessive use of plastic laminates, glossy covers or double covers are avoided as far as possible. Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants. As such, our Group did not incur directly costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties in Hong Kong or other places outside Hong Kong and we rented two properties in Hong Kong as warehouses, details of which are set out in the paragraph headed "Warehousing and storage" of this section above.

We rented Room 3802, 38/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong with a saleable area of 2,039 sq.ft. from 1 February 2016 to 18 October 2017, as our office at a monthly rental of HK\$34,600. We also rented office units 2901-2903 and 2905, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong with a saleable area of 2,850 sq.ft. for a term of three years commencing from 15 August 2017 to 14 August 2020 as our new office at a monthly rental of HK\$80,000 and we relocated to this new office in October 2017. Our Directors do not foresee any major difficulties or impediments in renewing the relevant tenancy agreements upon their expiration.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered four patents, five trademarks, a registered design and “*www.grandbrilliancegroup.com*” and “*www.solar-med.com*” as our domain names. We had registered two patents in Hong Kong and a patent in the United States in respect of our security system and a utility model patent in the PRC in respect of our nursing bra, details of which are set out in the paragraph headed “Research and development – Product development” of this section above, and are currently applying for registration of a patent in the European Union for our security system. Details of our registered intellectual property rights are set out in the paragraph headed “Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

To protect our proprietary rights, we have entered into confidentiality agreements with our senior management and employees of our R&D department and other employees who have access to secret or confidential information on our Group. We require our senior employees and employees of our R&D team to acknowledge in the agreements that we own all intellectual property rights in the relevant inventions, technology know-how and trade secrets generated in the course of their employment with us.

We have adopted the following measures to actively protect our trademarks and other intellectual property rights: (i) we will register our trademarks in countries where we have material market presence and register our other intellectual property rights which are material to our business; (ii) we have designated Mr. Chan Chun Sing, our executive Director, to be responsible for management and control on the use of our trademarks and other intellectual property rights; (iii) we have engaged an intellectual property consultant to advise us on the registration and renewal of registration of our intellectual property rights and related matters; (iv) we will regularly review and monitor the use of any brand names and other intellectual property rights that may be infringing ours; (v) where we intend to expand our market presence into any new geographical regions, we will conduct studies to determine whether there may be any intellectual property rights issues; and (vi) where we discover any infringement of our trademarks or other intellectual property rights, we will actively take actions to prohibit the relevant parties from such infringement, and we will take legal actions against such parties where we consider that the infringement is material.

As at the Latest Practicable Date, there were no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

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LICENCES, CERTIFICATES AND REGISTRATIONS

Currently, there is no overarching legislation that regulates the manufacture, import, export, sale and use of medical devices in Hong Kong.

As advised by the Legal Counsel, our hybrid security system that utilises a combination of technologies, such as EAS and RFID, is subject to licensing under the Telecommunications Ordinance, but our hybrid security system is exempted from obtaining a licence pursuant to the Telecommunications (Telecommunications Apparatus) (Exemption for Licensing) Order (Chapter 106Z of the Laws of Hong Kong). Except for the business registration under the Business Registration Ordinance and save as disclosed above, there are no licenses, permits or approvals required to be obtained by our Group to carry on our business as a medical device distributor.

Although it is not mandatory, in order to fulfil one of the conditions of tender imposed by the Hospital Authority, where applicable, we have been admitted to the “List of Local Responsible Persons” of the Department of Health for ligation clips, biopsy needles and needleless connectors sourced from our major suppliers during the Track Record Period and listed with the Department of Health under the MDACS, details of which are set out below:

<u>Medical consumables</u>	<u>Issuing body</u>	<u>Duration</u>
Ligation clips	The MDCO	10 March 2017 to 10 March 2022
Needleless connectors	The MDCO	23 August 2016 to 23 August 2021
Biopsy needles	The MDCO	5 August 2015 to 5 August 2020

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors confirm that our Group had obtained all licences and permits material for our business operations in Hong Kong as at the Latest Practicable Date and confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences and permits. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration.

LITIGATIONS AND LEGAL PROCEEDINGS

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors confirm that, as at the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or administrative proceedings of material importance and, so far as our Directors are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened by or against any member of our Group.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group which are material or systemic in nature.

INTERNAL CONTROL AND RISK MANAGEMENT

We endeavour to uphold the integrity of our business by maintaining an internal control and risk management system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in May 2017, we engaged an internal control adviser (the “**Internal Control Adviser**”) to perform a review of our Group’s internal control system including the areas of financial, operation, compliance and risk management.

In June 2017, the Internal Control Adviser completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, management and compliance procedures with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

We will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the paragraph headed “Directors, senior management and staff – Board committees” of this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed “Relationship with our Controlling Shareholders – Corporate governance measures” of this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

Our Group has adopted the following measures to ensure continuous compliance with the GEM Listing Rules upon Listing:

- we shall establish system and manuals in relation to, among others, distribution of annual, interim and quarterly reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules;
- our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on GEM;

BUSINESS

- we have engaged Guotai Junan Capital Limited as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company; and
- we have established the Audit Committee which comprises Mr. Wong Lung Wo James and Mr. Chan Ping Keung who are our independent non-executive Director and Dr. Miu, our non-executive Director. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of our members of the Audit Committee, please refer to the section headed “Directors, senior management and staff” of this prospectus.

As part of our risk management and internal control measures, we have the following anti-corruption and anti-fraud policies applicable to our Group:

- Our management is responsible for the formulation and execution of anti-corruption, anti-bribery and anti-fraud policies and measures.
- With the intention of providing specific guidance to our employees, we have put in place anti-bribery guidelines and anti-fraud policy which includes the handling procedures of giving and receiving an advantage, fraud risk assessment, fraud reporting and investigation procedures.
- If the amount of an advantage to be received or given by our employees is equal to or over HK\$5,000, prior approval must be obtained from our management.
- Our management will conduct investigation upon receiving reports of perpetrated or suspected fraud from our employees within four weeks.

Our Directors, to the best of their knowledge, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group and its employees were not involved in any fraudulent and bribery activities or under investigation by relevant authorities in relation to corruption, bribery or fraud.

We will engage an independent internal control consultant to conduct an annual review on the adequacy and effectiveness of our internal control system for the financial year ending 31 March 2018, including areas of financial, operational, compliance and risk management. When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

BUSINESS

In August 2017, the Internal Control Adviser performed a follow up review on our internal control system and we did not note any findings of material weakness or insufficiency in our Group's internal control system.

On the basis of the above, our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group and prevent any occurrence of non-compliance incident in the future.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of seven Directors comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

Members of our Board

The following table sets forth certain information regarding the members of our Board:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and our senior management
Ms. Wong Bik Kwan Bikie (黃碧君女士)	48	Chairman, chief executive officer and executive Director	5 July 2017	15 November 1997	Overseeing management and strategic planning and development of our Group's business operations	Spouse of Dr. Miu
Mr. Chan Chun Sing (陳震昇先生)	34	Executive Director, financial controller and company secretary	18 September 2017	12 February 2016	Overseeing accounting, financial management, company secretarial and internal control matters of our Group	N/A
Dr. Miu Yin Shun Andrew (苗延舜醫生)	51	Non-executive Director	18 September 2017	18 September 2017	Providing consultation on technical information on medical devices	Spouse of Ms. Wong
Mr. Chiu Man Wai (趙文煒先生)	49	Non-executive Director	18 September 2017	18 September 2017	Advising on matters relating to investors' relations to our Group	N/A
Mr. Ng Leung Sing <i>SBS, JP</i> (吳亮星先生)	68	Independent non-executive Director	1 March 2018	1 March 2018	Providing independent advice to our Board	N/A
Mr. Wong Lung Wo James (黃龍和先生)	63	Independent non-executive Director	1 March 2018	1 March 2018	Providing independent advice to our Board	N/A
Mr. Chan Ping Keung (陳秉強先生)	52	Independent non-executive Director	1 March 2018	1 March 2018	Providing independent advice to our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Ms. Wong Bik Kwan Bikie (黃碧君女士), aged 48, is our founder, chairman, chief executive officer, executive Director and Controlling Shareholder. Ms. Wong founded our Group in November 1997. She was appointed as our Director on 5 July 2017 and she was redesignated as our executive Director on 18 September 2017 and appointed as our chairman and our chief executive officer on 1 March 2018. She is a member of the Remuneration Committee, our authorised representative and our compliance officer. Ms. Wong is responsible for overseeing management and strategic planning and development of our Group's business operations. She is the spouse of Dr. Miu, our non-executive Director. The following sets out the working experience of Ms. Wong prior to establishing our Group:

<u>Company name</u>	<u>Principal business or function</u>	<u>Last position held</u>	<u>Period</u>
London International Trading (Asia) Limited (a subsidiary of Reckitt Benckiser Group plc (stock code: RB) which is listed on the London Stock Exchange)	Distribution of surgical gloves	Territory manager for surgeons' gloves	January 1999 to September 1999
United Italian Corporation (HK) Limited	Distribution of medical consumables and pharmaceutical products	Team sales supervisor	December 1994 to December 1997
Health Care Products Limited	Distribution of hospital products	Senior sales representative of the hospital products division	August 1991 to April 1993 and August 1993 to November 1994
The Hospital Services Department of the HK Government	A department of the HK Government	Registered nurse	July 1990 to August 1991
		Student nurse	April 1989 to July 1990
The Medical and Health Department of the HK Government	A department of the HK Government	Student nurse	June 1987 to March 1989

Ms. Wong obtained a Diploma in General Nursing from The Hong Kong Hospital Services Department School of General Nursing in July 1990. She subsequently obtained a degree of Master of Business Administration in September 1999 from the University of South Australia, through long distance learning.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan Chun Sing (陳震昇先生) (“**Mr. C.S. Chan**”), aged 34, joined our Group on 12 February 2016 as our financial controller. Mr. C.S. Chan was appointed as our Director and redesignated as our executive Director on 18 September 2017 and appointed as our company secretary on 18 September 2017. Mr. C.S. Chan is also the authorised representative of our Company. Mr. C.S. Chan is primarily responsible for overseeing accounting, financial management, company secretarial and internal control matters of our Group. He has more than 12 years of experience in accounting and auditing. The following sets out the working experience of Mr. C.S. Chan prior to joining our Group:

<u>Company name</u>	<u>Principal business</u>	<u>Last position held</u>	<u>Period</u>
Hong Kong Huafa Investment Holdings Limited	Investment and cross-border financing	Vice director in the finance department	May 2015 to January 2016
Haton Polymer Limited (a subsidiary of China Lumena New Materials Corp. (stock code: 67))	Production of polyphenylene sulfide and thenardite	Accounting manager	September 2010 to March 2015
Grant Thornton	Provision of audit, tax, advisory, asset valuation, project cost management and financial services	Assistant manager	September 2005 to September 2010

Mr. C.S. Chan obtained a degree of Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in December 2005. Mr. C.S. Chan has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since September 2009. Mr. C.S. Chan was admitted an associate of the Hong Kong Institute of Chartered Secretaries in December 2017.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Non-executive Directors

Dr. Miu Yin Shun Andrew (苗延舜醫生), aged 51, joined our Group on 18 September 2017. He was appointed as our Director and redesignated as our non-executive Director on 18 September 2017 and is responsible for providing consultation on technical information on medical devices. He is a member of the Audit Committee. Dr. Miu has extensive experience of over 20 years in the medical industry. He is the spouse of Ms. Wong. Dr. Miu has been practising as an orthopaedic specialist in Elite Clinic Limited since November 2011. He had also worked in the following hospitals:

Name of hospital or relevant department of the hospital	Last position held	Period
The Department of Orthopaedics and Traumatology of Tseung Kwan O Hospital	Temporary part-time associate consultant	April 2010 to April 2012
	Associate consultant	July 2000 to March 2010
The Department of Orthopaedics and Traumatology of Princess Margaret Hospital	Medical officer	July 1994 to June 2000
The Department of Surgery of Prince of Wales Hospital	Medical officer	July 1993 to June 1994
The Department of Orthopaedics and Traumatology of Princess Margaret Hospital	Medical officer	January 1992 to June 1993
Queen Elizabeth Hospital	Medical officer	July 1991 to December 1991

Dr. Miu obtained a degree of Bachelor of Medicine and Bachelor of Surgery from the Chinese University of Hong Kong in December 1990. He was awarded a fellowship by the Royal College of Surgeons of Edinburgh in July 1995, a fellowship in orthopaedic surgery by the Royal College of the Surgeons of Edinburgh in February 2000, a fellowship by the Hong Kong College of Orthopaedic Surgeons in March 2000, a fellowship in orthopaedic surgery by the Hong Kong Academy of Medicine (in orthopaedics) in May 2000, a first fellowship in rehabilitation of the Hong Kong College of Orthopaedic Surgeons in October 2004. He then obtained a degree of Master of Science in Sports Medicine and Health Science from the Chinese University of Hong Kong in November 2015, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chiu Man Wai (趙文煒先生), aged 49, was appointed as our Director and redesignated as our non-executive Director on 18 September 2017 and is responsible for advising on matters relating to investors' relations to our Group. He is a member of the Nomination Committee. Mr. Chiu has extensive experience of over 24 years in the financial industry. He has served as a director of Abridge Enterprises Company Limited since April 2007, which is mainly engaged in the provision of financial and investment services. He has also been a director of Technic Investment Company Limited since February 2004, a company whose principal business is investment. In addition, he has been a director of United Builders Insurance Company Limited since May 1996, a company whose principal business is insurance advisory services.

The following sets out other working experience of Mr. Chiu in the financial industry:

Company name	Principal business	Last position held	Period
BNP Paribas Equities Hong Kong Limited	Equity research	Director of the research department	April 1996 to March 2004
Worldsec International Limited	Provision of securities brokerage, dealing, underwriting, research, and investment-advisory services	Investment analyst of the research department	March 1993 to April 1996

Mr. Chiu was the director of the following company which was incorporated in Hong Kong and was subsequently deregistered. The relevant details of such company are as follows:

Company name	Date of incorporation	Principal business	Date of deregistration
Min Yuen Investment Company Limited	8 February 1980	Investment holding	13 March 2009

Mr. Chiu has confirmed that the deregistration of the above company was voluntary by way of an application for deregistration to the Companies Registry of the HK Government and the above company was solvent prior to the application for deregistration.

Mr. Chiu obtained a degree of Bachelor of Arts in Mathematics from Oxford University in June 1990. He also obtained a degree of Master of Science in Mathematical Modelling and Numerical Analysis from Oxford University in October 1991.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent non-executive Directors

Mr. Ng Leung Sing SBS, JP (吳亮星先生) (“**Mr. Ng**”), aged 68, was appointed as our independent non-executive Director on 1 March 2018. He is also the chairman of the Nomination Committee. Mr. Ng has served as a director in Hong Kong Mortgage Corporation Limited since April 2014. He has also served as a director in Bank of China (Hong Kong) Trustees Limited since August 2009, an organisation whose principal business is in the provision of trust services. In addition, he has served as a Hong Kong deputy to the 10th, 11th and 12th National People’s Congress of the PRC since March 2003. He was previously a member of the Legislative Council of Hong Kong from 1998 to 2004 and 2012 to 2016, and a member of the Provisional Legislative Council of Hong Kong from 1996 to 1998. Moreover, he held the position of the trustee in the Hong Kong Government Land Fund from 1988 to 1997. He served as a Chinese representative in Sino-British Land Commission from 1988 to 1997. Mr. Ng obtained a Diploma in Chinese Law from the University of East Asia, Macau (currently known as the University of Macau) in May 1987. Mr. Ng’s directorships or positions in other companies listed on the Stock Exchange are as follows:

<u>Company name</u>	<u>Principal business</u>	<u>Position</u>	<u>Period</u>
Hanhua Financial Holding Company Limited (stock code: 3903)	Provision of credit guarantee, lending and related consulting services to small and medium enterprises in the PRC	Independent non-executive director	June 2013 to present
Nine Dragons Paper (Holdings) Limited (stock code: 2689)	Manufacture and sales of packaging paper, recycled printing and writing paper and high value specialty paper products in the PRC	Independent non-executive director	March 2013 to present
SmarTone Telecommunications Holdings Limited (stock code: 315)	Provision of telecommunications services and the sale of handsets and accessories in Hong Kong and Macau	Independent non-executive director	June 1997 to present
MTR Corporation Limited (stock code: 66)	Railway design, construction, operation, maintenance and investment in Hong Kong, the PRC and a number of overseas cities; project management in relation to railway and property development businesses; station commercial business; property business and investment in Octopus Holdings Limited	Independent non-executive director	December 2007 to May 2017

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong Lung Wo James (黃龍和先生) (“**Mr. Wong**”), aged 63, was appointed as our independent non-executive Director on 1 March 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Wong has been appointed as a senior executive advisor by Computershare Hong Kong Investor Services Limited (“**Computershare Hong Kong**”) since January 2018. Mr. Wong worked in Computershare Hong Kong from December 2005 to December 2017 with his last position as chief executive officer Asia. Computershare Hong Kong is currently a subsidiary of Computershare Limited (stock code: CPU) which is listed on the Australian Securities Exchange Limited and whose principal business is in the provision of registry service, employee share plan managers, shareholder identification and proxy solicitation solutions, governance services and global solutions. From June 1980 to November 2005, Mr. Wong worked in a financial institution in Hong Kong and Canada. He served as an assistant assessor in IRD from June 1977 to September 1980.

Mr. Wong is currently a member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a fellow of The Hong Kong Institute of Chartered Secretaries. He obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in October 1977. He was admitted an associate of The Association of Certified Accountants in May 1980, The Hong Kong Society of Accountants in January 1982, The Taxation Institute of Hong Kong in June 1982 and a fellow of the Chartered Association of Certified Accountants in May 1985. Mr. Wong was also admitted an associate of The Institute of Chartered Secretaries and Administrators in September 1980 and was subsequently elected its fellow in October 2013.

Mr. Chan Ping Keung (陳秉強先生) (“**Mr. Chan**”), aged 52, was appointed as our independent non-executive Director on 1 March 2018. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee. Mr. Chan has retired. The following sets out the working experience of Mr. Chan prior to his retirement:

Company or organisation name	Principal business or function	Last position held	Period
China Exchanges Services Company Limited, a joint venture among Hong Kong Exchanges and Clearing Limited, Shanghai Stock Exchange and Shenzhen Stock Exchange	Development of cross-border indices based on products traded on the Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, industry classifications for listed companies, information standards and related products and new products for investors	Director and chief executive	October 2012 to July 2014

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Company or organisation name	Principal business or function	Last position held	Period
Hong Kong Securities and Investment Institute	Provision of professional training, events and examination programmes to practitioners in the financial services industry	Director	December 2011 to December 2014
Hong Kong Exchanges and Clearing Limited (stock code:388)	Operating the only recognised stock and futures market in Hong Kong and the only recognised clearing houses in Hong Kong	Managing director of the global markets department	August 2000 to September 2014
The Advisory Committee on Human Resources Development in the Financial Services Sector of the HK Government	Provision of advice to the HK Government on the strategic development of human resources in the financial services sector	Member	June 2007 to May 2013
The former City and New Territories Administration, the former Civil Services Branch, the former Trade Department, the Hong Kong Economic and Trade Office in Geneva and the former Financial Services Bureau	Various departments in the HK Government	Administrative officer	July 1988 to July 2000

Mr. Chan obtained a degree of Bachelor in Engineering from the University of Hong Kong in November 1988. Mr. Chan was awarded a senior fellowship by the Hong Kong Securities and Investment Institute in September 2014.

Save as disclosed above, each of our Directors confirmed with respect to himself/herself that: (i) apart from our Company, he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as set out in the section headed “Substantial Shareholders” in, and the paragraph headed “Statutory and general information – C. Further information about our Directors and Substantial Shareholders” in Appendix IV to, this prospectus, he/she does not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

The following table set forth information regarding our senior management. Our executive Directors and our senior management members are responsible for the day-to-day management of our Group's business.

Name	Age	Position	Date of appointment	Date of joining our Group
Mr. Lee Chun Sing (李春成先生)	48	Business development manager	April 2014	January 1998
Ms. Lam Oi Lin (林愛蓮女士)	41	Sales manager	April 2014	April 2001
Mr. Li Ka Ho (李家豪先生)	32	Product manager	April 2016	August 2010
Mr. Lau Wai Man (劉偉民先生)	31	Assistant marketing and project manager	February 2015	February 2015

Mr. Lee Chun Sing (李春成先生), aged 48, is the business development manager of our Group and is primarily responsible for the overall management of our business development and formulation of our business strategies. He joined our Group as a business operation manager in January 1998. He has over 19 years of working experience in the medical equipment industry. Prior to joining our Group, Mr. Lee worked as an electrical engineer in Shell Electric Manufacturing (Holdings) Company Limited (a company listed on the Main Board (stock code: 81), currently known as China Overseas Grand Oceans Group Limited) from November 1994 to June 1995. Mr. Lee obtained a Victorian Certificate of Education from the Victorian Curriculum and Assessment Board in January 1990.

Ms. Lam Oi Lin (林愛蓮女士) (“**Ms. Lam**”), aged 41, is the sales manager of our Group and is primarily responsible for managing marketing activities and supporting sales team of our Group. Ms. Lam has over 17 years of experience in sales and marketing of medical equipment. She joined our Group in April 2001 as a sales executive. She was promoted to product manager in November 2003 and has been the sales manager of our Group since April 2014. Prior to joining our Group, she worked as a sales executive of the hospital products division in Science International Corporation, a supplier for medical equipment and environmental monitors, from October 2000 to March 2001. Ms. Lam obtained a degree of Bachelor of Science in Biology from the Hong Kong University of Science and Technology in November 2000.

Mr. Li Ka Ho (李家豪先生) (“**Mr. Li**”), aged 32, is the product manager of our Group and is primarily responsible for the marketing, formulation and implementation of sales

DIRECTORS, SENIOR MANAGEMENT AND STAFF

strategies and providing support to the sales team of our Group. He has over six years of working experience in sales-related work. He rejoined our Group in November 2012 after he worked as a sales representative in our Group from August 2010 to August 2011. In April 2016, he was promoted to product manager in our Group. Prior to rejoining our Group, Mr. Li worked as a sales engineer in Eduserve International Limited (a subsidiary of i-Control Holdings Limited, a company listed on the GEM (stock code:8355)) from August 2011 to November 2012. Mr. Lee obtained a degree of Bachelor of Engineering in Electronic and Communication Engineering from the City University of Hong Kong in July 2010.

Mr. Lau Wai Man (劉偉民先生) (“**Mr. Lau**”), aged 31, is the assistant marketing and project manager of our Group and is primarily responsible for developing new business opportunities, and invention of new technology and marketing. He joined our Group as an assistant marketing and project manager in February 2015. He has over six years of working experience with project management and marketing activities. Before joining our Group, Mr. Lau worked in AML Health Plus Limited, a company engaged in the manufacturing and export of medical and health care devices, from April 2010 to December 2014 where his last position was assistant marketing and project manager. He worked as a research assistant in the Prenatal Diagnostic Laboratory at Tsan Yuk Hospital under the University of Hong Kong from October 2009 to April 2010. He also worked as a junior research assistant in the Department of Medicine and Therapeutics of the Chinese University of Hong Kong from August 2008 to August 2009. Mr. Lau obtained a degree of Bachelor of Engineering in Medical Engineering from the University of Hong Kong in November 2008 and a degree of Master of Science in Biomedical Engineering from the Chinese University of Hong Kong in December 2009.

COMPANY SECRETARY

Mr. Chan Chun Sing (陳震昇先生) is our company secretary. Please refer to the paragraph headed “Directors, senior management and staff – Directors – Executive Directors” of this section above for details of his qualifications and experience.

COMPLIANCE OFFICER

Ms. Wong Bik Kwan Bikie (黃碧君女士) was appointed as the compliance officer of our Company. Please refer to the paragraph headed “Directors, senior management and staff – Directors – Executive Directors” of this section above for details of his qualifications and experience.

AUTHORISED REPRESENTATIVES

Ms. Wong Bik Kwan Bikie (黃碧君女士) and **Mr. Chan Chun Sing** (陳震昇先生) are our authorised representatives for the purpose of the GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 1 March 2018 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control systems our Company. The Audit Committee consists of three members, namely Mr. Wong, Mr. Chan and Dr. Miu. Mr. Wong is the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 1 March 2018 with written terms of reference in compliance with 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 our Board on the overall remuneration policy and structure relating to all of our Directors and senior management of our Group, review performance based remuneration and ensure that none of our Directors determines his/her own remuneration. The Remuneration Committee consists of three members, namely Mr. Chan, Mr. Wong and Ms. Wong. Mr. Chan is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 1 March 2018 with written terms of reference in compliance with 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 our Board on a regular basis, identify individuals who can be qualified to become members of our Board, assess the independence of independent non-executive Directors, and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of three members, namely Mr. Ng, Mr. Chan and Mr. Chiu. Mr. Ng is the chairman of the Nomination Committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including Directors' fees, basic salaries, allowances and other benefits, discretionary bonus, and retirement benefits scheme contributions) paid by our Group to our Directors the two years ended 31 March 2017 and the seven months ended 31 October 2017 was approximately HK\$0.7 million, HK\$1.5 million and HK\$0.5 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The aggregate amount of remuneration (including basic salaries, allowances and other benefits, discretionary bonus and retirement benefits scheme contributions) paid by our Group to the five highest paid individuals (excluding our Directors) for the two years ended 31 March 2017 and the seven months ended 31 October 2017 was approximately HK\$1.9 million, HK\$1.6 million and HK\$0.7 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to any of the aforementioned five highest paid individuals and any of our Directors as an inducement to join or upon joining our Group or as a compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Save as disclosed above, no other payments had been made, or were payable, by our Group to our Directors or the five highest paid individuals (excluding our Directors) for the two years ended 31 March 2017 and the seven months ended 31 October 2017.

Under the arrangements currently in force, our Directors estimate that aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 March 2018 to be approximately HK\$1.5 million. For additional information on Directors' remunerations during the Track Record Period as well as information on the five highest paid individuals, please refer to note 12 to the Accountants' Report as set out in Appendix I to this prospectus.

EMPLOYEES

For details of our employees, including remuneration and incentive plan for our senior management and key employees, please refer to the paragraph headed "Business – Employees" of this prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us under Rule 17.11 of the GEM Listing Rules.

The terms of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which certain employees, consultants and advisers of our Group including the executive Directors may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are set out in the paragraph headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus.

CORPORATE GOVERNANCE

Our Group is committed to achieving high standards of corporate governance with a view to protecting the interests of our Shareholders. To achieve this goal, our Group will comply with the Corporate Governance Code after the Listing, except for paragraph A.2.1 of the Corporate Governance Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

We are of the view that since Ms. Wong has been providing strong and consistent leadership to our Group, having both functions performed by her will provide a more effective strategic planning and overall management to our Group. Furthermore, considering Ms. Wong’s substantial experience in medical device industry, professional background, and role in our Group’s historical development as disclosed in the section headed “History, Reorganisation and corporate structure” of this prospectus, we believe that it will be beneficial to our Group if Ms. Wong acts as both of our chairman and chief executive officer after the Listing.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme:

HK\$

Authorised share capital:

<u>8,000,000,000</u>	Shares	<u>80,000,000</u>
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Shares in issue or to be issued, fully paid or credited as fully paid:

1,000	Shares in issue as at the date of this prospectus	10
631,999,000	Shares to be issued under the Capitalisation Issue	6,319,990
<u>168,000,000</u>	Shares to be issued under the Share Offer	<u>1,680,000</u>
<u>800,000,000</u>	Total	<u>8,000,000</u>

Assumptions

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of our Shares pursuant to the Share Offer and the Capitalisation Issue are made. It does not take into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase our Shares as referred to in the paragraph headed “General Mandate to issue Shares” or “General mandate to repurchase Shares” below in this section, as the case may be.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

RANKING

The Offer Shares will carry the same rights as all of our Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, details of which are set out in the paragraph headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 1 March 2018, subject to the share premium account of our Company being credited with the proceeds from the Share Offer, our Directors were authorised to allot and issue a total of 631,999,000 Shares to the existing Shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$6,319,990 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with our Shares in issue (save for the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the aggregate number of our Shares of not more than the sum of:

- (i) 20% of the aggregate number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme); and
- (ii) the aggregate number of our Shares repurchased by our Company (if any) pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” below in this section.

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

SHARE CAPITAL

This general mandate to issue Shares will continue in force until whichever is the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiration of the period within which our company is required by the Articles to hold its next annual general meeting; or
- (iii) it is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of the general mandate, please refer to the paragraph headed "Statutory and general information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 1 March 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed "Structure and conditions of the Share Offer – Conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws, rules and regulations and the requirements of the GEM Listing Rules. For the summary of the requirements under the relevant GEM Listing Rules, please refer to the paragraph headed "Statutory and general information – A. Further information about our Group – 6. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

This Repurchase Mandate will continue in force until whichever is the earliest of:

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

For further details of the general mandate, please refer to the paragraph headed "Statutory and general information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 1 March 2018" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles, our Company may from time to time by ordinary resolution of Shareholder (i) increase its capital; (ii) consolidate and divide our capital into Shares of larger amount; (iii) divide our Shares into classes; (iv) subdivide our Shares into Shares of smaller amount; and (v) cancel any Share which has not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed “Summary of the Constitution of our Company and the Cayman Islands Company Law – 2. Articles of Association – (iii) Alteration of capital” in Appendix III to this prospectus.

Further, pursuant to the Companies Law and the terms of the Memorandum and Articles, all or any of the special right attached to our Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of our issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please see the paragraph headed “Summary of the Constitution of our Company and the Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in our Shares or the underlying Shares, which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group and are therefore regarded as substantial shareholders under the GEM Listing Rules:

Upon completion of the Capitalisation Issue and the Share Offer			
<u>Name of shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares held/interested</u>	<u>Approximate percentage of shareholding in our Company</u>
B&A Success	Beneficial owner	557,424,000 Shares	69.68%
Ms. Wong	Interest in a controlled corporation	557,424,000 Shares (Note 1)	69.68%
Dr. Miu	Interest of spouse	557,424,000 Shares (Note 2)	69.68%
Infinite Crystal	Beneficial owner	40,448,000 Shares	5.06%
Mr. Chiu	Interest in controlled corporation	40,448,000 Shares (Note 3)	5.06%
Ms. Lai Wing Sze Teresa Francesca	Interest of spouse	40,448,000 Shares (Note 4)	5.06%
Sunstrike Investments Limited	Interest in controlled corporation	40,448,000 Shares (Note 5)	5.06%
Sunfund Asia Capital Holdings Limited	Interest in controlled corporation	40,448,000 Shares (Note 5)	5.06%
Sunfund (Hong Kong) Company Limited	Interest in controlled corporation	40,448,000 Shares (Note 5)	5.06%

SUBSTANTIAL SHAREHOLDERS

Upon completion of the Capitalisation Issue and the Share Offer

Name of shareholder	Nature of Interest	Number of Shares held/interested	Approximate percentage of shareholding in our Company
Sunfund Investment & Management Co. Ltd.* (耀盛投資管理集團有限公司)	Interest in controlled corporation	40,448,000 Shares (Note 5)	5.06%
Mr. Yuan	Interest in controlled corporation	40,448,000 Shares (Notes 5)	5.06%
Ms. Liu	Interest of spouse	40,448,000 Shares (Notes 5 and 6)	5.06%

* The English name is for identification purpose only.

Notes:

1. The Shares are registered in the name of B&A Success, a company legally and beneficially owned by Ms. Wong. Under the SFO, Ms. Wong is deemed to be interested in all the Shares held by B&A Success.
2. Dr. Miu is the spouse of Ms. Wong. Under the SFO, Dr. Miu is deemed to be interested in the number of Shares deemed to be held by Ms. Wong.
3. Infinite Crystal is owned as to approximately 61.11% by Mr. Chiu. Under the SFO, Mr. Chiu is deemed to be interested in the same number of Shares held by Infinite Crystal.
4. Ms. Lai Wing Sze Teresa Francesca is the spouse of Mr. Chiu, who owns Infinite Crystal as to approximately 61.11% and, as a result, is deemed to be interested in the same number of Shares held by Infinite Crystal under the SFO. Under the SFO, Ms. Lai Wing Sze Teresa Francesca is deemed to be interested in the same number of Shares deemed to be held by Mr. Chiu.
5. Infinite Crystal is owned as to approximately 38.89% by Sunstrike Investments Limited. Sunstrike Investments Limited is wholly-owned by Sunfund Asia Capital Holdings Limited, which in turn is wholly-owned by Sunfund (Hong Kong) Company Limited, which in turn is wholly-owned by Sunfund Investment & Management Co. Ltd., which is owned as to 91.33% by Mr. Yuan. Under the SFO, Sunstrike Investments Limited, Sunfund Asia Capital Holdings Limited, Sunfund (Hong Kong) Company Limited, Sunfund Investment & Management Co. Ltd. and Mr. Yuan are all deemed to be interested in the same number of Shares held by Infinite Crystal.
6. Ms. Liu is the spouse of Mr. Yuan. Under the SFO, Ms. Liu is deemed to be interested in the same number of Shares deemed to be held by Mr. Yuan.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), have interests or short positions in our 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, 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 member of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), our Company will be owned as to 69.68% by B&A Success, a company wholly-owned by Ms. Wong. For the purpose of the GEM Listing Rules, Ms. Wong and B&A Success will be our Controlling Shareholders upon the Listing.

For the details of our Group structure immediately after the Capitalisation Issue and the Share Offer, please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus.

INDEPENDENCE OF OUR GROUP

Having considered the reasons as set forth in this section below, we are satisfied that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

(i) Financial independence

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors are of the view that we are financially independent from our Controlling Shareholders and any of their respective close associates for the following reasons:

- (i) our Group has an independent financial system and makes financial decisions according to our own business needs;
- (ii) we have sufficient capital for its financial needs without dependence on our Controlling Shareholders;
- (iii) our Directors believe that we are and will be able to obtain financing such as bank loans, if necessary from external sources on market terms and conditions without reliance on our Controlling Shareholders; and
- (iv) there will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders and their respective close associates in favour of our Group or vice versa upon Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

All the non-trade amounts due to and from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released before the Listing Date. Please refer to the paragraph headed “Financial Information – Indebtedness” of this prospectus and the Accountants’ Report in Appendix I to this prospectus for further details. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders and their respective close associates in favour of our Group or vice versa upon Listing.

(ii) Operational independence

To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, our Directors are of the view that our business operation to be independent from our Controlling Shareholders and their close associates for the following reasons:

- (i) we have not relied on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders;
- (iii) we have independent access to customers and suppliers;
- (iv) we are led by an experienced management team to handle our day-to-day operations;
- (v) we have established our own organisational structure comprising individual teams, each with specific areas of responsibilities;
- (vi) we have established a set of internal control procedures to facilitate the effective operation of our business; and
- (vii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their associates.

Save as disclosed in note 29 to the Accountants’ Report as set out in Appendix I to this prospectus, there was no business transaction between our Group on one hand and our Controlling Shareholders and/or their respective close associates on the other hand during the Track Record Period. Therefore, our Directors consider that our Group’s operations do not rely on our Controlling Shareholders and/or any of their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(iii) Management independence

Board

Our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

Each of our Directors is aware his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Group and does not allow any conflict between his duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum.

Although Ms. Wong, one of our Controlling Shareholders and executive Director, is also the sole shareholder and director of B&A Success, being our Controlling Shareholder directly holding approximately 69.68% of the issued share capital of our Company immediately after the Listing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), our Board functions independently of the board of directors of B&A Success and other companies involving in the private investments which Ms. Wong may have apart from the investment in our Company. Since B&A Success is an investment holding company with no operative business and Ms. Wong is not involved in any other businesses that are in competition with our business, our Directors believe that the independence of the management of our Group will not be affected or compromised by the common directorship of Ms. Wong on our Board and his respective interests in B&A Success and her other private investments.

In the circumstances where our executive Directors and non-executive Directors are required to abstain from voting due to potential conflicts of interest, our independent non-executive Directors will make their business judgment for the decision making process of our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors, senior management and staff” of this prospectus, our Directors believe that the remaining Board can still function properly in the event that our executive Directors and non-executive Director are required to abstain from voting.

Committees

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee consists of a majority of independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Audit Committee is responsible for reviewing and monitoring the effectiveness of our financial control, internal control and risk management systems whereas the remuneration committee's role is to ensure that our Directors are properly remunerated and none of our Directors determines his/her own remuneration. The Nomination Committee is mainly responsible for reviewing the structure, size and composition of our Board annually, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, and making recommendations to our Board on relevant matters relating to appointment or reappointment of Directors.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management are able to perform the managerial role in our Group independently.

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, each of our Controlling Shareholders, our Directors and their respective associates did not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

Each of Ms. Wong and B&A Success entered into the Deed of Non-competition on 1 March 2018 in favour of our Company with an aim to avoid any possible future competition between our Group and our Controlling Shareholders.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken to our Company (for itself and as trustee for its subsidiaries) that, from the Listing Date and ending on the occurrence of the earlier of:

- (i) any of our Controlling Shareholders and her/its close associates and/or successors, individually and/or collectively, ceases to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; and
- (ii) our Shares cease to be listed on the Stock Exchange (except for temporary suspension of our Shares due to any reason),

she/it will not, and will procure her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by her/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) (a "**Controlled Company**") not to either on her/its own or in conjunction with, on behalf of, or through any body corporate, partnership, joint venture or other contractual agreement, whether directly or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

indirectly, whether for profit or not, carry on, participate or be interested in, hold, engage in, acquire or operate (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) (i) to take direct or indirect action which interferes or disrupts business activities of our Group including but not limited to, solicitation of customers, suppliers and staff members of our Group; or (ii) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including without limitation (i) the distribution of medical consumables, medical equipment and medical instruments; and (ii) the provision of medical device solutions, including market trend analysis, after-sale services, technical support and training services, medical device leasing services and quality assurance services (the “**Restricted Business**”).

Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange specified in Part 3 of Schedule 1 to the SFO and the aggregate interest held by each of our Controlling Shareholders and her/its associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 10% of the relevant share capital of the company in question;
- (iii) the contracts and other agreements entered into between our Group and any of our Controlling Shareholders and/or her/its associates; and
- (iv) the involvement, participation or engagement of any of our Controlling Shareholders, any Controlled Person and/or any Controlled Company in a Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

New business opportunity

If any Controlling Shareholder, any Controlled Person, or any Controlled Company (collectively the “**Offeree**”) is offered or becomes aware of any business opportunity directly or indirectly to engage in or own the Restricted Business (the “**New Business Opportunity**”):

- (i) she/it shall promptly, within seven days upon being offered or becoming aware of the New Business Opportunity, notify our Company of such New Business Opportunity in writing and refer the same to our Company in the terms no less favourable than those offered to the Offeree for consideration, and shall give written notice to our Company containing all information reasonably necessary for our Company to consider whether (i) the New Business Opportunity would constitute competition with the Restricted Business; and (ii) it is in the interest of our Group to pursue the New Business Opportunity; and
- (ii) she/it shall not, and shall procure that the Controlled Person or Controlled Company not to, invest or participate in any New Business Opportunity, unless such New Business Opportunity is rejected by the independent committee of our Board (our “**Independent Board Committee**”) comprising of our independent non-executive Directors from time to time who do not have any material interest in the Restricted Business and/or the New Business Opportunity and the principal terms of which our Controlling Shareholders or the Controlled Person or Controlled Company invests or participates in are no more favourable than those made available to our Company.

Our Controlling Shareholders, any Controlled Person or any Controlled Company may only engage in the New Business Opportunity if a notice is received from our Independent Board Committee confirming that the New Business Opportunity is not accepted by our Company and/or does not constitute competition with the Restricted Business. If there is a material change in the terms and conditions of the New Business Opportunity pursued by the Offeree, the Offeree will refer the New Business Opportunity as so revised to our Company in the manner as set out above.

GENERAL UNDERTAKINGS

In order to ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of our Controlling Shareholders shall, among others:

- (i) keep the Board informed of any matter of potential conflicts of interest between our Controlling Shareholders and our Group;
- (ii) when required by our Company, provide all information necessary for our Independent Board Committee to conduct annual examination, including all relevant financial, operational and market information and other necessary information with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) procure our Company to disclose to the public either in the annual, interim or quarterly report of our Company or issuing a public announcement in relation to any decisions made by our Independent Board Committee with regard to the compliance of the GEM Listing Rules and the terms of the Deed of Non-competition and the enforcement of it;
- (iv) where our Independent Board Committee shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual, interim or quarterly report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules;
- (v) where our Independent Board Committee has rejected the New Business Opportunity referred to by the Offeree as stipulated above regardless of whether the Offeree would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual, interim or quarterly report of our Company or an announcement of the decision of our Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof; and
- (vi) during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of any of our Controlling Shareholders of any statement, warrant or undertaking made under the Deed of Non-competition.

Each of our Controlling Shareholders:

- (i) other than her/its interest in our Group and save as disclosed in this prospectus, represents, warrants and confirms that she/it, the Controlled Persons and/or the Controlled Companies do not currently, directly or indirectly, own, operate, participate, invest in or carry on any business that may be categorised as Restricted Business in any capacity, or any part thereof, or participate or hold any equity interest, and are not otherwise interested in any company or entity or firm which is engaged in any Restricted Business or is engaged in any business which is in competition or potential competition with that of our Group;
- (ii) undertakes to indemnify and keep indemnified our Company (for itself and as trustee of our subsidiaries) against any loss, damages, costs, charges and expenses (including, without limitation, legal and expenses on a full indemnity basis) any of our Company and/or our subsidiaries may suffer in connection with the breach of any undertakings or obligations by any of our Controlling Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) unconditionally and irrevocably undertakes to our Company that she/it will not, and will procure that none of her/its respective associates (other than members of our Group) will, during the term of the Deed of Non-competition:
- (a) induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his/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);
 - (b) 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;
 - (c) without prior consent from our Company, make use of any information pertaining to the business of our Group which may have come to her/its capacity as our Controlling Shareholder; and
 - (d) alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any firm or company, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business in the past 12 months or solicit or persuade any person who has dealt with our Group in the past 12 months or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or 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.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon the Listing Department granting listing of and permission to deal in our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer. If the above condition is not fulfilled on or before the date falling 30th day from the date of this prospectus (or if such date is not a Business Day, the immediately preceding Business Day), the Deed of Non-competition shall become null and void and each party shall pay its own costs and expenses in connection with the preparation, negotiation and settlement of the Deed of Non-competition and no party shall have any liability to any other parties thereto.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice, to avoid potential conflicts of interest, and to safeguard the interests of our Shareholders:

- (i) the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable GEM Listing Rules;
- (iii) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision making process and provide independent advice to our Board and Shareholders. Our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and each of our Controlling Shareholders to ensure compliance with the Deed of Non-competition by our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) each of our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (v) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (vi) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or her/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed;
- (vii) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (viii) where our Directors reasonably request for the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (ix) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the GEM Listing Rules, including various requirements relating to corporate governance.

Our Controlling Shareholders making an annual statement on compliance with the Deed of Non-competition in the annual report of our Company, including the disclosure on how the Deed of Non-competition was complied with and enforced.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close 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.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information have been prepared in accordance with the Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendments and interpretations) ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. You should read the entire Accountants' Report and not merely rely on the information contained in this section. The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance.

These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projects depends on a number of risks and uncertainties over which we do not have control. For further information, please refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.

OVERVIEW

We are an established medical device distributor with over 19 years of experience in the medical device market in Hong Kong. As an integral part of our distribution business, we also provide one-stop medical device solutions, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance to a large number of customers, mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong.

As at the Latest Practicable Date, we sourced over 10,000 types of medical devices directly from over 40 suppliers which mostly comprised overseas medical device manufacturers. Our product portfolio can be broadly categorised into four major types, namely (i) medical consumables such as needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products; (ii) medical equipment such as electric beds and mattresses, stretchers, furniture used in wards, respiratory care products and blood warmers; (iii) medical instruments such as anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery; and (iv) other healthcare products such as hand sanitisers which are ancillary in nature. We also offer after-sale services, technical support and training services, medical device leasing services and quality assurance services to our customers with the aim of providing one-stop medical device solutions to our customers.

For further information about our business and operations, please refer to the section headed "Business" of this prospectus.

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BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 July 2017 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. Please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus for further details of the Reorganisation. Our consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period included the financial performance, changes in equity and cash flows of the companies now comprising our Group have been prepared, as if our Group had been in existence in its current form throughout the Track Record Period or since the respective date of incorporation, whichever was shorter.

The consolidated statements of cash flows of our Group as at 31 March 2016 and 2017 and 31 October 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as at the respective dates as if the current group structure had been in existence at those dates.

Our Group is an established medical device distributor which also provides one-step medical device solutions in Hong Kong. Immediately prior to the Reorganisation, our Group’s business was mainly conducted through Solar-Med, Sonne International, Sonne Technology and Sonne UK which were ultimately controlled by Ms. Wong. Pursuant to the Reorganisation, our Company became the ultimate holding company of our Group.

We have prepared our consolidated financial information for the Track Record Period in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such consolidated financial information has been prepared under historical cost basis except for certain financial information, which are measured at fair value as explained in the accounting policies as set out in note 3 to the Accountants’ Report in Appendix I to this prospectus.

Intra-group transactions, balances, cash flows and unrealised profits on transactions between group companies are eliminated in full on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

The HK Government policies and expenditures

HK Government policies and expenditures on medical healthcare largely determined the demand for medical healthcare in Hong Kong, which in turn affected the demand for our medical devices. According to the Frost & Sullivan Report, the total healthcare expenditure of the HK Government will maintain a stable increase from 2017 to 2021 at a CAGR of

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approximately 5.6% and the Hospital Authority proposed to increase a total of around 5,000 hospital beds and over 90 new operation theatres in Hong Kong by 2026, which will stimulate the demand for our medical devices. Any changes in the HK Government policies and expenditures on medical healthcare may have a material impact on our results of operations and financial conditions.

Supply of medical devices

Our profitability and operating margins are dependent upon, among other things, our ability to anticipate and react to any interruptions in our distribution network and changes to costs of medical devices and availability. We have developed a close and stable relationship with our key suppliers and have adequate number of suppliers for each major type of products, which allow us to maintain a stable and flexible supply of products. However, we are still exposed to a risk that suppliers may not provide or may be unable to provide products we need in the quantities and at the times and prices we request. Failure to identify an alternate source of supply for these items or comparable products that meet our customers' expectations may result in significant cost increases. In some extreme cases, we will be out-of-inventory and unable to generate sales.

Cost of medical devices

We have adopted a "cost-plus" pricing policy, pursuant to which we set target prices with different profit margins over the products we distribute. As a result, volatile purchase costs of our products have a direct impact upon our profitability. If there is any increase in the purchase cost of our products, we may be unable to pass on all or a portion of such product cost increases to our customers which may have a negative impact on our profit margins and results of operations. Our ability to effectively price our products and quickly respond to inflationary cost pressures could have a material impact on our business, financial condition or results of operations.

Product and customer mix

Our profitability and results of operations are affected by our product and customer mix. We have a diversified portfolio of medical devices with different cost bases and selling prices, and hence different gross profit margins. Moreover, products within the same product segment may generate different gross profit margins due to different quality and brands as well. Also, the composition of sales to each customer also varies depending on their demands. This may also create conditions for inventory obsolescence with respect to the products with diminishing consumer demand. Consequently, our gross profit margins are impacted by the composition on the products that make up our sales.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting policies for impairment of receivables and allowances for inventories, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions during the Track Record Period. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out below. See Notes 3 and 5 of the Accountants' Report set out in Appendix I to this prospectus for details.

Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to our Group and when the income can be measured reliably.

Sales of goods are recognised when the significant risks and rewards of ownership are transferred to the customer. This is usually taken as the time of delivery and customers' acceptance of the goods.

Service income is recognised when the relevant services are provided.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment of receivables

The impairment policy for bad and doubtful debts of our Group is based on management's evaluation of collectability and ageing analysis of receivables 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 or debtor. If the financial condition of the customers or debtors of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

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Allowances for inventories

Management of our Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items that are no longer suitable for consumption and saleable. Our management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, our Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance for obsolete items. Additional allowances may be required if the conditions which have an impact on the net realisable value of inventories deteriorate.

RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of comprehensive income for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, extracted from the Accountants' Report in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report in Appendix I to this prospectus and not rely merely on the information contained in this section.

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Revenue	52,876	51,657	28,942	30,958
Cost of revenue	(24,688)	(25,631)	(15,257)	(14,752)
Gross profit	28,188	26,026	13,685	16,206
Other income	116	74	40	50
Other gains and losses	344	162	36	109
Distribution and selling expenses	(800)	(795)	(403)	(437)
Administrative and other operating expenses	(12,311)	(11,277)	(6,334)	(6,569)
Listing expenses	–	–	–	(7,335)
Finance costs	(7)	–	–	–
Profit before income tax	15,530	14,190	7,024	2,024
Income tax expense	(2,551)	(2,388)	(1,206)	(1,645)
Profit for the year/period	<u>12,979</u>	<u>11,802</u>	<u>5,818</u>	<u>379</u>

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DESCRIPTION AND ANALYSIS OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue, gross profit and gross profit margin

During the Track Record Period, our revenue was derived from the distribution of a variety of medical devices, comprising medical consumables, medical equipment and medical instruments; and the provision of a variety of value-added services. The table below sets out our revenue, gross profit and gross profit margin of our products and services for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017:

	For the year ended 31 March								For the seven months ended 31 October							
	2016				2017				2016				2017			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>															
Medical consumables	27,183	51.4	15,350	56.5	33,578	65.0	17,573	52.3	18,192	62.8	9,433	51.9	22,420	72.4	11,758	52.4
Medical equipment	19,725	37.3	8,608	43.6	13,843	26.8	5,319	38.4	9,103	31.5	3,089	33.9	6,613	21.4	2,974	45.0
Medical instruments	3,825	7.2	2,087	54.6	2,454	4.8	1,386	56.5	907	3.1	427	47.1	876	2.8	425	48.5
Other healthcare products	-	-	-	-	74	0.1	40	54.1	4	0.1	-	-	-	-	-	-
Services	2,143	4.1	2,143	100.0	1,708	3.3	1,708	100.0	736	2.5	736	100.0	1,049	3.4	1,049	100.0
Total	52,876	100.0	28,188	53.3	51,657	100.0	26,026	50.4	28,942	100.0	13,685	47.3	30,958	100.0	16,206	52.3

Our revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017 was approximately HK\$52.9 million, HK\$51.7 million, HK\$28.9 million and HK\$31.0 million, respectively. Our revenue decreased by approximately HK\$1.2 million, or approximately 2.3% from approximately HK\$52.9 million for the year ended 31 March 2016 to approximately HK\$51.7 million for the year ended 31 March 2017 mainly because of the decrease in revenue generated from our sales of medical equipment and medical instruments. Our revenue increased by approximately HK\$2.1 million or approximately 7.0% from approximately HK\$28.9 million for the seven months ended 31 October 2016 to approximately HK\$31.0 million for the seven months ended 31 October 2017, mainly due to the increase in revenue generated from our sales of medical consumables during the period.

Our gross profit amounted to approximately HK\$28.2 million, HK\$26.0 million, HK\$13.7 million and HK\$16.2 million for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively, representing gross profit margin of approximately 53.3%, 50.4%, 47.3% and 52.3%.

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Our product mix directly impacts our results of operations and financial conditions. As at the Latest Practicable Date, we sourced over 10,000 types of medical devices to a large number of customers mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong. Different types of products that we sourced often carry different unit selling prices and margins and change in the demand from our customers may affect our overall revenue, cost of revenue and margins.

Medical consumables

Medical consumables were the major contributor of our revenue and gross profit during the Track Record Period. We distributed a variety of medical consumables such as needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products. Revenue generated from medical consumables accounted for approximately 51.4%, 65.0%, 62.8% and 72.4% of our total revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively.

Our revenue from medical consumables increased by approximately HK\$6.4 million, or approximately 23.5% from approximately HK\$27.2 million for the year ended 31 March 2016 to approximately HK\$33.6 million for the year ended 31 March 2017, while our gross profit from medical consumables only increased by HK\$2.2 million or approximately 14.5%. The increase in our revenue was mainly due to the increase in our sales of needleless connectors as a result of our introduction of a new model of needleless connectors since October 2015. As we sold a higher proportion of needleless connectors which had a comparatively lower gross profit margin, we had a lower growth of gross profit for the year ended 31 March 2017. Our gross profit margin from medical consumables accordingly dropped slightly from approximately 56.5% for the year ended 31 March 2016 to approximately 52.3% for the year ended 31 March 2017.

Our revenue from medical consumables increased by approximately HK\$4.2 million, or approximately 23.2% from approximately HK\$18.2 million for the seven months ended 31 October 2016 to approximately HK\$22.4 million for the seven months ended 31 October 2017. Such increase was mainly due to the increase in our sales of (i) ligation clips as a result of the increased number of hospitals placing purchase orders to us from 21 hospitals for the seven months ended 31 October 2016 to 24 hospitals for the seven months ended 31 October 2017 and the increasing demand from these hospitals in general; and (ii) needleless connectors as a result of introduction of a new model as mentioned above. As a combined result of our higher sales of ligation clips which had a comparatively higher gross profit margin and our higher sales of needleless connectors which had a comparatively lower gross profit margin, in proportion to other medical consumables, our gross profit from medical consumables for the seven months ended 31 October 2017 increased by approximately HK\$2.3 million, or approximately 24.6%. Our gross profit margin from medical consumables accordingly increased slightly from approximately 51.9% for the seven months ended 31 October 2016 to approximately 52.4% for the seven months ended 31 October 2017.

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Medical equipment

For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, medical equipment contributed approximately 37.3%, 26.8%, 31.5% and 21.4% of our total revenue, respectively. During the Track Record Period, we distributed a range of medical equipment such as electric beds, mattresses, furniture use in wards, stretches and spare parts.

Our revenue from medical equipment decreased by approximately HK\$5.9 million or approximately 29.8% from approximately HK\$19.7 million for the year ended 31 March 2016 to approximately HK\$13.8 million for the year ended 31 March 2017. Our gross profit from medical equipment decreased by approximately 38.2% to approximately HK\$5.3 million. Such decrease was mainly because we sold a higher proportion of intensive care unit electric beds and electric delivery beds during the year ended 31 March 2016, which had a comparatively higher gross profit margin, and we sold mainly general electric beds during the year ended 31 March 2017, which had a comparatively lower gross profit margin and therefore led to a decrease of our gross profit generated from our sales of medical equipment for the year ended 31 March 2017. Our gross profit margin from medical equipment accordingly dropped from approximately 43.6% for the year ended 31 March 2016 to approximately 38.4% for the year ended 31 March 2017.

Although a higher sales of spare parts were recorded during the seven months ended 31 October 2017, our revenue from medical equipment decreased by approximately HK\$2.5 million or by approximately 27.4% from approximately HK\$9.1 million for the seven months ended 31 October 2016 to approximately HK\$6.6 million for the seven months ended 31 October 2017 which was mainly due to the decrease in sales of electric beds, mattresses and stretches. However, our gross profit from medical equipment only decreased by approximately 3.7% for the seven months ended 31 October 2017 as compared to the seven months ended 31 October 2016, due to the increase in our gross profit margin from medical equipment for the seven months ended 31 October 2017. Our gross profit margin from medical equipment increased from approximately 33.9% for the seven months ended 31 October 2016 to approximately 45.0% for the seven months ended 31 October 2017, mainly because we sold a higher proportion of electric beds and mattresses which had a comparatively lower gross profit margin for the seven months ended 31 October 2016 and we sold a higher proportion of spare parts of medical equipment, which had a comparatively higher gross profit margin for the seven months ended 31 October 2017.

Medical instruments

For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, medical instrument contributed approximately 7.2%, 4.8%, 3.1% and 2.8% of our total revenue, respectively. During the Track Record Period, we distributed a range of medical instruments such as anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery.

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Our revenue from medical instruments decreased by approximately HK\$1.3 million or approximately 35.8% from approximately HK\$3.8 million for the year ended 31 March 2016 to approximately HK\$2.5 million for the year ended 31 March 2017. Such decrease was mainly attributable to more sales of container system and general instruments for the year ended 31 March 2016 which are non-recurring in nature. Our gross profit from medical instruments accordingly decreased by approximately HK\$0.7 million, or approximately 33.6% for the year ended 31 March 2017. Our gross profit margin from medical instruments remained relatively stable at approximately 54.6% and 56.5% respectively for the two years ended 31 March 2017.

Our revenue from medical instruments were approximately HK\$0.9 million for both seven months ended 31 October 2016 and 2017. Our gross profit margin from medical instruments remained relatively stable at approximately 47.1% and 48.5% respectively for the seven months ended 31 October 2016 and 2017.

Services

Our services which generated revenue mainly included maintenance services and medical device leasing services provided during the Track Record Period. Our revenue from the provision of these services decreased by approximately HK\$0.4 million or by approximately 20.3% from approximately HK\$2.1 million for the year ended 31 March 2016, or to approximately HK\$1.7 million for the year ended 31 March 2017, mainly due to the decrease in revenue generated from maintenance services. For the seven months ended 31 October 2017, our revenue from the provision of these services increased to approximately HK\$1.1 million as compared to the seven months ended 31 October 2016 mainly due to the increase in maintenance service fee income attributable to comparatively more contribution from annual maintenance service contracts.

Our revenue from maintenance service amounted to approximately HK\$2.1 million, HK\$1.6 million, HK\$0.7 million and HK\$1.0 million for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively. Meanwhile, our revenue from medical device leasing service amounted to approximately nil, HK\$58,000, HK\$32,000 and HK\$86,000 for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively. We started to offer our airway clearance machines for lease to individual customers as part of our medical device leasing service in December 2016. The amount of income generated from the leasing of airway clearance machines amounted to approximately HK\$26,000 for the year ended 31 March 2017 and approximately HK\$86,000 for the seven months ended 31 October 2017. Our gross profit margins from the provision of services were 100% for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017 as our services were entirely provided by our staff and all related staff costs were recognised as administrative and other operating expenses and no cost of revenue was incurred in our provision of services.

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Other healthcare products

Owing to the expansion of our product portfolio, we started to generated revenue from our sales of other healthcare products, such as hand sanitisers, for the year ended 31 March 2017 and the seven months ended 31 October 2016, representing approximately 0.1% of our total revenue for the year ended 31 March 2017 and the seven months ended 31 October 2016.

Customer segment

With over 19 years of operating history, our Group has accumulated a broad and diverse customer base covering (i) all private hospitals and substantially all of the public hospitals in Hong Kong; (ii) over 30 private clinics; and (iii) other customers (such as non-profit organisations, universities and individual end-users) in Hong Kong. The table below sets out our revenue, gross profit and gross profit margin by type of customers for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017:

	For the year ended 31 March									For the seven months ended 31 October						
	2016			2017			2016			2017						
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin				
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
	<i>(unaudited)</i>									<i>(unaudited)</i>						
Hospitals																
– Public hospitals	25,835	48.9	13,622	52.7	24,513	47.4	12,131	49.5	12,410	42.9	5,992	48.3	14,351	46.4	7,178	50.0
– Private hospitals	23,307	44.1	12,419	53.3	23,434	45.4	11,804	50.4	14,683	50.7	6,735	45.9	14,416	46.6	7,736	53.7
Sub-total	49,142	93.0	26,041	53.0	47,947	92.8	23,935	49.9	27,093	93.6	12,727	47.0	28,767	93.0	14,914	51.8
Private clinics	1,224	2.3	503	41.1	516	1.0	367	71.2	368	1.3	256	69.6	257	0.8	171	66.5
Others ^(Note)	2,510	4.7	1,644	65.5	3,194	6.2	1,724	54.0	1,481	5.1	702	47.4	1,934	6.2	1,121	58.0
Total	52,876	100.0	28,188	53.3	51,657	100.0	26,026	50.4	28,942	100.0	13,685	47.3	30,958	100.0	16,206	52.3

Note: Others included non-profit organisations, universities and individual end-users.

Public hospitals and private hospitals in Hong Kong constituted our core customer base. Our revenue generated from our sales to public hospitals and private hospitals remained relatively stable, which were approximately HK\$49.1 million, HK\$47.9 million, HK\$27.1 million and HK\$28.8 million for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively, which accounted for approximately 93.0%, 92.8%, 93.6% and 93.0% of our total revenue during the same periods, respectively.

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Gross profit margins of our sales to public hospitals and private hospitals decreased from approximately 52.7% and 53.3%, respectively, for the year ended 31 March 2016 to approximately 49.5% and 50.4%, respectively, for the year ended 31 March 2017, primarily due to (i) our sales of medical consumable products as primarily due to a higher proportion of our model of needleless connectors with a lower gross profit margins sold for the year ended 31 March 2017; and (ii) our sales of medical equipment products as primarily due to a higher proportion sale of intensive care unit electric beds and electric delivery beds which had a higher gross profit margin during the year ended 31 March 2016 whereas we sold mainly general electric beds for the year ended 31 March 2017, which had a comparatively lower gross profit margin.

Gross profit margins of our sales to public hospitals and private hospitals increased from approximately 48.3% and 45.9%, respectively, for the seven months ended 31 October 2016 to approximately 50.0% and 53.7%, respectively, for the seven months ended 31 October 2017, primarily due to the higher proportion sale of our ligation clips and spare parts, which had a comparatively higher gross profit margin, during the seven months ended 31 October 2017.

Cost of revenue

Our cost of revenue mainly represented carrying amount of inventories consumed and transportation costs. Our cost of revenue amounted to approximately HK\$24.7 million, HK\$25.6 million, HK\$15.3 million and HK\$14.8 million for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively.

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Carrying amount of				
inventories consumed	22,591	23,446	13,892	13,346
Transportation costs	1,559	1,603	893	895
Allowance for inventories	368	380	333	369
Write-off of inventories	161	220	157	158
Others	9	(18)	(18)	(16)
	<u>24,688</u>	<u>25,631</u>	<u>15,257</u>	<u>14,752</u>
Total	<u>24,688</u>	<u>25,631</u>	<u>15,257</u>	<u>14,752</u>

Carrying amount of inventories consumed represented the cost of finished goods purchased by us from our suppliers. For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, our carrying amount of inventories consumed amounted to approximately HK\$22.6 million, HK\$23.4 million, HK\$13.9 million and HK\$13.3 million, respectively. Transportation costs represented the costs to be borne by us in relation

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to the delivery from suppliers' sites to Hong Kong. Such amount remained stable and was consistent with the carrying amount of inventories consumed. Allowance for inventories represented the allowances for impairment of obsolete and slow-moving inventories that we had made. Write-off of inventories represented the amount of inventories that had been written off as a result of the inventories were expired or no longer suitable for consumption.

Other income

For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, our other income amounted to approximately HK\$116,000, HK\$74,000, HK\$40,000 and HK\$50,000, respectively. Our other income for the year ended 31 March 2016 was mainly derived from our sales of batteries while our other income for the year ended 31 March 2017 and the seven months ended 31 October 2016 and 2017 were mainly the government grant for our participation in international promotion activities.

Other gains and losses

Our Group recorded other gains of approximately HK\$344,000, HK\$162,000, HK\$36,000 and HK\$109,000 for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively, which were mainly attributable to our exchange gain/loss arising from the settlement of trade payables with our overseas suppliers.

Distribution and selling expenses

Our distribution and selling expenses mainly comprise transportation expenses incurred for goods delivery to customers.

The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Transportation expenses	757	763	388	437
Others	43	32	15	–
	800	795	403	437
Total	800	795	403	437

Our distribution and selling expenses amounted to approximately HK\$0.8 million, HK\$0.8 million, HK\$0.4 million and HK\$0.4 million, which accounted for approximately 1.5%, 1.5%, 1.4% and 1.4% of our total revenue for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, respectively.

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Administrative and other operating expenses

Our administrative and other operating expenses primarily comprise (i) staff costs, including Directors' remuneration, and salaries and other benefits for our staff; (ii) rent, rates and management fee for office and warehouses; (iii) depreciation; (iv) auditor's remuneration; (v) provision for impairment of trade receivables; (vi) travelling and entertainment expenses; (vii) R&D expenses; and (viii) other miscellaneous expenses.

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Staff costs	5,973	6,932	3,883	3,552
Rent, rates and management fee	1,978	2,209	1,288	1,511
Depreciation	482	453	292	160
Auditor's remuneration	230	230	134	–
Legal and professional fees	54	209	113	319
Provision for impairment of trade receivables	1,418	–	–	–
Travelling and entertainment expenses	1,243	363	160	296
Others ^(Note)	933	881	464	731
Total	12,311	11,277	6,334	6,569

Note: Others mainly included bank charges, insurance, printing and stationery expenses, sample costs, testing fee and other operating expenses.

Our administrative and other operating expenses accounted for approximately 23.3% and 21.8% of our total revenue respectively for the two years ended 31 March 2017. Our administrative and other operating expenses decreased by approximately HK\$1.0 million, or 8.4%, from approximately HK\$12.3 million for the year ended 31 March 2016 to approximately HK\$11.3 million for the year ended 31 March 2017. Such decrease was primarily due to the combined effect of (i) the increase in staff costs of approximately HK\$1.0 million as resulted from the recruitment of new staff; (ii) the decrease in provision for impairment of trade receivables of approximately HK\$1.4 million; and (iii) the decrease in travelling and entertainment expenses of approximately HK\$0.9 million.

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Our administrative and other operating expenses remained stable at approximately HK\$6.3 million and HK\$6.6 million respectively for the seven months ended 31 October 2016 and 2017, which accounted for approximately 21.9% and 21.2% of our total revenue respectively for the seven months ended 31 October 2016 and 2017.

As disclosed in note 12(a) to the Accountants' Report in Appendix I to this prospectus, for the two years ended 31 March 2017, the emoluments paid to Ms. Wong, our chairman, chief executive officer and executive Director, amounted to approximately HK\$0.6 million and HK\$0.6 million, respectively. Such emoluments were determined with reference to the performance of our Group and the projected working capital requirement of our Group in the next financial year. The annual emoluments payable to Ms. Wong in the amount of approximately HK\$0.6 million were paid to Ms. Wong in arrears at the end of each of the two years ended 31 March 2017. The annual emolument payable to Ms. Wong for the year ending 31 March 2018 is expected to be approximately HK\$0.6 million, subject to annual review by our Board and our Remuneration Committee after Listing. Since such emolument payable to Ms. Wong is usually made at the end of the financial year of our Group, the annual emolument payable to Ms. Wong for the year ending 31 March 2018 has not yet been paid. The amount of approximately HK\$22,000 paid by our Group to Ms. Wong during the seven months ended 31 October 2017 merely represented the provision for long service payment accrued to Ms. Wong in the same period. There was no change in the role of Ms. Wong in the management of our Group during the Track Record Period and up to the Latest Practicable Date. Ms. Wong has been responsible for overseeing the management and strategic planning and development of our Group's business operations throughout the Track Record Period and up to the Latest Practicable Date.

Listing expenses

Listing expenses comprise professional and other expenses in relation to the Listing. Our Listing expenses amounted to approximately HK\$7.3 million for the seven months ended 31 October 2017.

Finance costs

Finance costs represent interest on our bank borrowings. Our finance costs amounted to approximately HK\$7,000, nil, nil and nil, respectively, for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. During the Track Record Period, we only had tax payable in Hong Kong. For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, our income tax expense were approximately HK\$2.6 million, HK\$2.4 million, HK\$1.2 million and HK\$1.6 million, respectively, and our effective tax rate for the same periods was approximately 16.4%, 16.8%, 17.2% and 81.3%, respectively.

FINANCIAL INFORMATION

Our income tax expense decreased by approximately HK\$0.2 million or approximately 6.4% from approximately HK\$2.6 million for the year ended 31 March 2016 to approximately HK\$2.4 million for the year ended 31 March 2017. Such decrease was in line with the decrease in profit before taxation. Our effective tax rate remained stable at approximately 16.4% and 16.8% for the years ended 31 March 2016 and 2017 respectively.

Our income tax expense increased from approximately HK\$1.2 million for the seven months ended 31 October 2016 to approximately HK\$1.6 million for the seven months ended 31 October 2017, despite the decrease in profit before tax for the period as a result of the effect of listing expenses of approximately HK\$7.3 million which is not deductible for tax purpose. Therefore, our effective tax rate also increased from approximately 17.2% for the seven months ended 31 October 2016 to 81.3% for the seven months ended 31 October 2017.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Profit for the year/period

As a result of the foregoing, our profit for the year decreased by approximately HK\$1.2 million or approximately 9.1% from approximately HK\$13.0 million for the year ended 31 March 2016 to approximately HK\$11.8 million for the year ended 31 March 2017.

Our profit for the period decreased by approximately HK\$5.4 million or approximately 93.5% from approximately HK\$5.8 million for the seven months ended 31 October 2016 to approximately HK\$0.4 million for the seven months ended 31 October 2017. Excluding the non-recurring listing expenses of approximately HK\$7.3 million incurred for the seven months ended 31 October 2017, our profit for the period would increase to approximately HK\$7.7 million.

As a result of the foregoing, our net profit margin was approximately 24.5%, 22.8%, 20.1% and 1.2%, respectively, for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017. Our net profit margin decreased from approximately 20.1% for the seven months ended 31 October 2016 to approximately 1.2% for the seven months ended 31 October 2017, primarily due to (i) our listing expenses of approximately HK\$7.3 million incurred for the seven months ended 31 October 2017; and (ii) an increase in our income tax expenses from approximately HK\$1.2 million for the seven months ended 31 October 2016 to approximately HK\$1.6 million for the seven months ended 31 October 2017 due to the non-deductible nature of our listing expenses.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our operations primarily through a combination of cash flow generated from our operating activities, capital contribution from our Shareholders and borrowings from related parties.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds made available from the Pre-IPO Investments and other funds to be raised from the capital markets from time to time and the estimated net proceeds received from the Share Offer.

Cash flow

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	For the year ended		For the seven months	
	31 March		ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash generated from/(used in) operating activities	15,908	4,747	(7,850)	(3,886)
Net cash used in investing activities	(3,901)	(11,646)	(381)	(4,078)
Net cash generated from/(used in) financing activities	<u>240</u>	<u>(247)</u>	<u>(247)</u>	<u>4,052</u>
Net increase/(decrease) in cash and cash equivalents	12,247	(7,146)	(8,478)	(3,912)
Cash and cash equivalents at the beginning of the year/period	<u>4,675</u>	<u>16,922</u>	<u>16,922</u>	<u>9,776</u>
Cash and cash equivalents at the end of the year/period	<u><u>16,922</u></u>	<u><u>9,776</u></u>	<u><u>8,444</u></u>	<u><u>5,864</u></u>

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Net cash generated from/(used in) operating activities

Cash inflow from operating activities consists principally of the proceeds we receive from our sales of medical devices and rendering of services. Cash outflows from our operating activities consist primarily of distribution and selling expenses and administrative and other operating expenses. Our net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation of property, plant and equipment, allowance for inventories and provision for impairment of trade receivables, and adjusted for the change in working capital.

For the seven months ended 31 October 2017, our net cash used in operating activities of approximately HK\$3.9 million was a combined result of operating cash inflow before changes in working capital of approximately HK\$2.7 million, income tax paid of approximately HK\$0.2 million and change in working capital of approximately HK\$6.4 million. Change in working capital primarily reflected (i) increase in trade receivables due to the increase in our sales of medical consumables during the period, which the outstanding balances were yet to be settled as at 31 October 2017; (ii) increase in prepayments mainly due to increase in prepayments for the preparation of the listing expense; (iii) increase in pledged bank deposit as a security of banking facility granted by a bank; and (iv) increase in inventories purchased, partially offset by increase in trade payables and increase in dividend payable.

For the year ended 31 March 2017, our net cash generated from operating activities of approximately HK\$4.7 million was a combined result of operating cash inflow before changes in working capital of approximately HK\$15.2 million, income tax paid of approximately HK\$3.8 million and change in working capital of approximately HK\$6.7 million. Change in working capital primarily reflected a decrease in trade and other payables as a result of more credited purchase of general electric beds made by our Group in March 2016 in comparing with March 2017.

For the year ended 31 March 2016, our net cash generated from operating activities of approximately HK\$15.9 million was a combined result of operating cash inflow before changes in working capital of approximately HK\$18.0 million, income tax paid of approximately HK\$2.8 million and change in working capital of approximately HK\$0.7 million. Change in working capital primarily reflected increase of inventories offset by decrease in trade receivables as a result of cessation of business relationship with a customer and the increase in trade payables due to more credited purchase of general electric beds made by our Group in March 2016 in comparing with March 2017.

Investing activities

For the two years ended 31 March 2017, our net cash used in investing activities was approximately HK\$3.9 million and HK\$11.6 million, respectively, primarily reflected the movement in amount due from a Director.

For the seven months ended 31 October 2017, our net cash used in investing activities of approximately HK\$4.1 million, primarily reflected (i) the movement in amount due from a Director; and (ii) the leasehold improvement and purchase of office equipment for our new office premises.

FINANCIAL INFORMATION

Financing activities

For the seven months ended 31 October 2017, our net cash generated from financing activities of approximately HK\$4.1 million was reflected by the funds made available from the Pre-IPO investments of approximately HK\$14.1 million, offset by the dividend payment of approximately HK\$10.0 million.

For the year ended 31 March 2017, our net cash used in financing activities of approximately HK\$0.2 million primarily reflected the settlement of our outstanding balance due to Ms. Wong.

For the year ended 31 March 2016, our net cash generated from financing activities of approximately HK\$0.2 million primarily reflected the advances from Ms. Wong.

Net current assets

We recorded net current assets of approximately HK\$27.6 million, HK\$27.3 million, HK\$26.8 million and HK\$27.2 million as at 31 March 2016 and 2017, 31 October 2017 and 31 January 2018, respectively. The table below sets forth our current assets and current liabilities as at the dates indicated:

	<u>As at 31 March</u>		<u>As at 31 October</u>	<u>As at 31 January</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Inventories	14,706	13,718	13,957	15,231
Trade and other receivables, deposits and prepayments	7,541	7,689	12,963	12,660
Amount due from a Director	–	169	–	–
Amount due from a related company	1,022	–	–	–
Tax recoverable	–	19	–	–
Cash and bank balances	16,922	9,776	8,894	8,543
	<u>40,191</u>	<u>31,371</u>	<u>35,814</u>	<u>36,434</u>
Current liabilities				
Trade and other payables	10,615	3,915	7,620	8,617
Deferred revenue	293	66	192	192
Amounts due to Directors	327	80	–	–
Tax payable	1,379	25	1,200	381
	<u>12,614</u>	<u>4,086</u>	<u>9,012</u>	<u>9,190</u>
Net current assets	<u><u>27,577</u></u>	<u><u>27,285</u></u>	<u><u>26,802</u></u>	<u><u>27,244</u></u>

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Our net current assets slightly decreased from approximately HK\$27.6 million as at 31 March 2016 to approximately HK\$27.3 million as at 31 March 2017. The decrease was primarily due to the decrease in our cash and bank balances by approximately HK\$7.1 million as a result of the settlement of our trade payables with major suppliers in March 2017, partially offset by (i) the decrease in our trade and other payables by approximately HK\$6.7 million; and (ii) the decrease in our tax payable by approximately HK\$1.4 million.

Our net current assets slightly decreased from approximately HK\$27.3 million as at 31 March 2017 to approximately HK\$26.8 million as at 31 October 2017. The decrease was primarily due to the decrease in our cash and bank balances by approximately HK\$0.9 million and the increase in our (i) trade and other payables by approximately HK\$3.7 million as a result of the accruals of listing expense; and (ii) tax payable by approximately HK\$1.2 million, partially offset by the increase in our trade and other receivables, deposits and prepayments by approximately HK\$5.3 million as a result of the prepayment made for listing expenses.

Our net current assets slightly increased from approximately HK\$26.8 million as at 31 October 2017 to approximately HK\$27.2 million as at 31 January 2018. The increase was primarily due to the increase in our inventories by approximately HK\$1.3 million and the decrease in our tax payable by approximately HK\$0.8 million, partially offset by (i) the decrease in our trade and other receivables, deposits and prepayments by approximately HK\$0.3 million; (ii) the decrease in our cash and bank balances by approximately HK\$0.4 million; and (iii) the increase in our trade and other payables by approximately HK\$1.0 million.

Working capital sufficiency

Our Directors are of the opinion and the Sole Sponsor concurs that, taking into consideration the financial resources presently available to us, including anticipated cash flow generated from our operating activities, existing cash and bank balances, funds made available from the Pre-IPO investments and the estimated net proceeds from the Share Offer, our Group will have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

DESCRIPTION AND ANALYSIS OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories principally comprise finished goods of (i) medical consumables; (ii) medical instruments; (iii) medical equipment; and (iv) other healthcare products. The balance of our inventories amounted to approximately HK\$14.7 million, HK\$13.7 million and HK\$14.0 million as at 31 March 2016 and 2017 and 31 October 2017, respectively, which was relatively stable.

The table below sets out the ageing analysis of our inventories at the balance sheet dates indicated:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ageing analysis			
Within 3 months	7,166	5,917	5,564
More than 3 months but less than 6 months	1,839	2,979	1,894
More than 6 months but less than 12 months	3,248	2,495	4,245
Over 1 year	2,453	2,327	2,254
Total	14,706	13,718	13,957

The increase in inventories aged between 6 months to 12 months as at 31 October 2017 as compared to that as at 31 March 2017 was mainly due to the increase in purchase of ligation clips for the purpose of maintaining inventory level to fulfil the purchase orders placed by the increased number of hospitals from 21 hospitals for the seven months ended 31 October 2016 to 24 hospitals for the seven months ended 31 October 2017 and the increasing demand from these hospitals in general.

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We regularly review our inventory levels for slow moving inventory, obsolescence or declines in market value on a product-by-product basis at the end of each reporting period. Allowance is made against when any of the inventories is identified obsolete and when conditions which have an impact on the net realisable value of inventories, which is based primarily of the latest invoice price and current market conditions. During the Track Record Period, our Group had made allowances for impairment of obsolete and slow-moving inventories of approximately HK\$0.4 million, HK\$0.4 million and HK\$0.4 million, respectively. The following table sets forth the turnover days of our inventories for the periods indicated.

	For the year ended 31 March		For the seven months ended 31 October
	2016	2017	2017
Inventory turnover days ^(Note)	168	202	201

Note: The number of inventory turnover days is calculated using the average balance of inventory divided by the cost of revenue for the relevant period and multiplied by 365 days or 214 days in the relevant year or period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant year or period, divided by two.

Our inventory turnover days were 168 days, 202 days and 201 days, respectively, for the two years ended 31 March 2017 and the seven months ended 31 October 2017. Based on the experience and observation of our Directors, our Directors believe that our relatively longer inventory turnover days was mainly because (i) we generally maintain a reasonable inventory level of at least three months' supply of products to meet our customer's demand based on the historical record of our customers' orders, sales projection and market trends; (ii) it is our policy to maintain a higher inventory level of about six months' supply of certain types of medical consumables which may involve longer delivery lead time such as biopsy needles, wound drain products and drapes used in operations to meet any supply chain contingency such as shortage in supplies or supply chain interruptions; and (iii) the quantities of products set out in a tender contract with the public hospitals serves only as estimates given for guidance and public hospitals may increase purchase orders by 30% to 50% of the total contract value. As such, demand for our products may increase significantly.

As at 31 January 2018, approximately HK\$4.5 million or 32.4% of our inventories as at 31 October 2017 had been sold.

FINANCIAL INFORMATION

Trade and other receivables, deposits and prepayments

Our trade and other receivables, deposits and prepayments primarily relate to outstanding amounts receivable by us from our customers, deposits, prepayments and other receivables less any allowance for doubtful debts.

The following table sets forth the components of our trade and other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,836	7,558	9,127
Less: Provision for impairment	(1,418)	(1,418)	(1,418)
Trade receivables, net	6,418	6,140	7,709
Other receivables	17	11	134
Deposits and prepayments	1,106	1,538	5,120
Total	7,541	7,689	12,963

Our trade receivables, after provision for impairment, remained stable at approximately HK\$6.4 million and HK\$6.1 million as at 31 March 2016 and 31 March 2017, respectively. The trade receivables then increased to approximately HK\$7.7 million as at 31 October 2017, primarily due to the increase in our sales of medical consumables during the period.

During the Track Record Period, we offered to public hospitals a credit period ranging from 30 days (for sales orders attributed to acceptance of quotations) to 30 clear working days (for sales order under a tender contract) from acceptance whereas we offered to private hospitals a credit period of 30 days from acceptance. We usually receive payment in advance before delivery of our products to individual end-users.

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The following table sets forth the ageing analysis of our trade receivables (net), based on invoice date as at the dates indicated:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2,103	3,178	3,092
31-60 days	3,566	1,587	2,795
61-90 days	364	810	1,100
Over 90 days	385	565	722
	6,418	6,140	7,709
Total	6,418	6,140	7,709

The following table sets forth the ageing analysis of trade receivables (net) of our Group, which were past due but not impaired, based on due date, as at the dates indicated:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due less than 30 days	3,527	1,476	2,796
Past due for 30 days or more but less than 60 days	365	815	1,107
Past due for 60 days or more but less than 90 days	169	66	554
Past due for 90 days or more	215	500	166
	4,276	2,857	4,623
Total	4,276	2,857	4,623

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgement and estimates of our management. We closely review the credit exposure and repayment conditions of our customers, and assessments are made by our management on the collectability of overdue balances. We will make specific provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its outstanding trade amount. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. The amount of provision for impairment of our trade receivables was approximately HK\$1.4 million, HK\$1.4 million and HK\$1.4 million as at 31 March 2016, 2017 and 31 October 2017, respectively.

FINANCIAL INFORMATION

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	For the year ended		For the seven
	31 March		months ended
	2016	2017	31 October
Trade receivables turnover days ^(Note)	<u>58</u>	<u>44</u>	<u>48</u>

Note: The number of trade receivables turnover days is calculated using the average balance of trade receivables divided by total sale for the relevant period and multiplied by 365 days or 214 days in the relevant year or period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant year or period, divided by two.

Our trade receivables turnover days were 58 days, 44 days and 48 days, respectively for the Track Record Period.

As at 31 January 2018, we had received subsequent settlement of approximately HK\$7.0 million, or approximately 90.6% of our trade receivables outstanding as at 31 October 2017.

Our deposits and prepayments mainly comprise deposits paid to our suppliers, rental deposits for the office premises and warehouses and prepayments for listing expenses. Our other receivable, deposits and prepayments increased from approximately HK\$1.1 million as at 31 March 2016 to approximately HK\$1.5 million as at 31 March 2017, which was mainly due to increase in deposits paid to suppliers of approximately HK\$0.3 million. Our other receivable, deposits and prepayments increased to approximately HK\$5.1 million as at 31 October 2017 which was mainly due to increase in prepayments for the listing expenses of approximately HK\$3.8 million as a result of the preparation for the Listing.

Amounts due from a Director and a related party

Our amount due from a Director amounted to approximately nil, HK\$0.2 million and nil as at 31 March 2016 and 2017 and 31 October 2017, respectively. The balances represented the amount due from Ms. Wong.

Our amount due from a related party amounted to approximately HK\$1.0 million, nil and nil as at 31 March 2016 and 2017 and 31 October 2017, respectively. The amounts arose from advances to our related company, namely Solaire International Limited.

All our amounts due from a Director and a related company are unsecured, interest-free, repayable on demand and non-trade in nature.

Amounts due to Directors

Our amounts due to Directors amounted to approximately HK\$0.3 million, HK\$80,000 and nil as at 31 March 2016 and 2017 and 31 October 2017, respectively, which the balances were due to Ms. Wong and Dr. Miu.

FINANCIAL INFORMATION

All our amounts due from a Director and a related company and the amounts due to Directors were settled as at 31 October 2017.

Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9,288	2,987	5,188
Accruals and other payables	925	854	1,222
Deposits received	402	74	10
Dividend payable	–	–	1,200
Total	10,615	3,915	7,620

Our trade payables primarily consist of the outstanding trade balances with our suppliers during the Track Record Period. Our trade payables decreased from approximately HK\$9.3 million as at 31 March 2016 to approximately HK\$3.0 million as at 31 March 2017, and increased to approximately HK\$5.2 million as at 31 October 2017, which was mainly due to the timing differences of the settlement of trade payables with our suppliers.

Our suppliers generally offer us credit periods up to 90 days. The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade payables:

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	3,221	1,678	632
31-60 days	2,846	396	3,399
61-90 days	941	454	53
Over 90 days	2,280	459	1,104
Total	9,288	2,987	5,188

FINANCIAL INFORMATION

The following table sets out our turnover days of trade payables for the periods indicated:

	For the year ended		For the seven
	31 March		months ended
	2016	2017	31 October
Trade payables turnover days ^(Note)	95	87	59

Note: The number of trade payables turnover days is calculated using the average balance of trade payables divided by cost of revenue for the relevant period and multiplied by 365 days or 214 days in the relevant year or period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant year or period, divided by two.

Our trade payables turnover days was 95 days, 87 days and 59 days, as at 31 March 2016, 31 March 2017 and 31 October 2017, respectively.

As at 31 January 2018, we had settled approximately HK\$4.7 million, or approximately 89.7% of our trade payables outstanding as at 31 October 2017.

Our accruals and other payables mainly comprised accrued charges for audit fee, listing expenses, and transportation fee, salaries payables and others, which mainly included deposits received in advance from customers for their future purchase.

Accruals and other payables remained relatively stable at approximately HK\$0.9 million and HK\$0.9 million as at 31 March 2016 and 31 March 2017 respectively, and further increased to approximately HK\$1.2 million as at 31 October 2017. The increased was mainly attributable to the accrual for listing expenses.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditures incurred for the property, plant and equipment during the Track Record Period were approximately HK\$0.1 million, HK\$43,000 and HK\$1.3 million, respectively, which primarily related to the leasehold improvement and purchase of office equipment for our new office premises. We have financed our capital expenditure primarily through cash flow generated from operating activities.

FINANCIAL INFORMATION

Operating lease commitments

As at the dates indicated, we had commitments for future minimum lease payments in respect of office premises and warehouses under operating lease arrangements, which fall due as follows:

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
Within one year	1,409	498	1,050
Later than one year and not more than two years	155	–	1,624
Total	<u>1,564</u>	<u>498</u>	<u>2,674</u>

Capital commitments

As at 31 March 2016, 2017 and 31 October 2017, our Group had no capital commitments which were not provided for in our consolidated financial information.

INDEBTEDNESS

As at 31 March 2016, 31 March 2017, 31 October 2017 and 31 January 2018, being the latest practicable date for the purpose of the indebtedness statements, we did not have any outstanding bank borrowings.

As at 31 January 2018, being the latest practicable date for the purpose of the indebtedness statement, we had a banking facility of HK\$3.0 million, of which approximately HK\$0.1 million had been utilised. Such utilised banking facility represents guarantees issued by a bank in favour of the customers of certain tender contracts. As at 31 January 2018, approximately HK\$2.9 million of our Group's banking facility remained unutilised. The banking facility of HK\$3.0 million was secured by a bank deposit of approximately HK\$3.0 million placed by our Group.

Saved as disclosed above and apart from intra-group liabilities and normal trade payables, as at 31 January 2018, our Group did not have any mortgages, charges, debt securities, term loans, other borrowings, or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, or any guarantees or other material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge, our Directors confirmed that we were not aware of any material defaults in the payment of trade and non-trade payables or bank borrowings or any default in material financial covenants.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

For details of related party transactions, see note 29 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 March		For the seven months ended 31 October
	2016	2017	2017
Gross profit margin (%) ^(Note 1)	53.3	50.4	52.3
Net profit margin (%) ^(Note 2)	24.5	22.8	1.2
Return on equity (%) ^(Note 3)	41.0	37.8	2.1
Return on total assets (%) ^(Note 4)	29.3	33.4	1.6
	As at 31 March		As at 31 October
	2016	2017	2017
Current ratio ^(Note 5)	3.2	7.7	4.0
Quick ratio ^(Note 6)	2.0	4.3	2.4
Gearing ratio (%) ^(Note 7)	5.4	0.3	3.8

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Notes:

1. Gross profit margin is calculated as gross profit divided by revenue and multiplied by 100%.
2. Net profit margin is calculated as profit for the year/period divided by revenue and multiplied by 100%.
3. Return on equity is calculated by dividing profit for the year/period attributable to owners of our Company (or the annualised profit, for the seven months ended 31 October 2017) by equity attributable to owners of the respective year/period and multiplying the resulting value by 100%.
4. Return on assets is calculated by dividing profit for the year/period attributable to the owners of our Company (or the annualised profit, for the seven months ended 31 October 2017) by total assets of the respective year/period and multiplying the resulting value by 100%.
5. Current ratio is calculated as the total current assets divided by the total current liabilities.
6. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
7. Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%. Total debt includes amounts due to Directors and tax payable.

Return on equity

Our return on equity decreased from approximately 41.0% as at 31 March 2016 to approximately 37.8% as at 31 March 2017, primarily due to the decrease in our net profit for the year ended 31 March 2017. Our return on equity further decreased to approximately 2.1% as at 31 October 2017 primarily due to the decrease in our net profit as a result of the recognition of listing expenses for the seven months ended 31 October 2017.

Return on total assets

Our return on total assets increased from approximately 29.3% as at 31 March 2016 to approximately 33.4% as at 31 March 2017, primarily due to the decrease in total assets recorded as at 31 March 2017 as a result of the decrease in our cash and bank balances as at 31 March 2017. Such decrease was a result of the settlement of a larger amount of trade payables by our Group in March 2017, compared to that in March 2016.

Our return on total assets decreased to approximately 1.6% as at 31 October 2017, primarily reflecting (i) our decreased net profit as a result of the recognition of the listing expenses for the seven months ended 31 October 2017; and (ii) our increased deposits and prepayments associated with our listing expenses, which led to the increase in total assets from approximately HK\$35.3 million as at 31 March 2017 to approximately HK\$40.7 million as at 31 October 2017.

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Current ratio and quick ratio

Our current ratio and quick ratio were approximately 3.2 times and 2.0 times as at 31 March 2016, respectively. Our current ratio increased to approximately 7.7 times and our quick ratio increased to approximately 4.3 times as at 31 March 2017, primarily reflecting our decreased trade payables as a result of our Group having made more credited purchase of general electric beds in March 2016 when compared to March 2017 and thereby led to the decrease in our current liabilities from approximately HK\$12.6 million as at 31 March 2016 to approximately HK\$4.1 million as at 31 March 2017.

Our current ratio and quick ratio decreased to approximately 4.0 times and 2.4 times as at 31 October 2017, respectively, primarily because the increase in our deposits and prepayments associated with our listing expenses, which led to the increase in our current assets from approximately HK\$31.4 million as at 31 March 2017 to approximately HK\$35.8 million as at 31 October 2017, was lower than the increase in our current liabilities from approximately HK\$4.1 million as at 31 March 2017 to approximately HK\$9.0 million as at 31 October 2017. Such increase in our current liabilities was mainly attributable to (i) our increased trade payables by approximately HK\$2.2 million; (ii) our increased dividend payable by approximately HK\$1.2 million; and (iii) our increased tax payable by approximately HK\$1.2 million.

Gearing ratio

Our gearing ratio was maintained at a very low level as we had a minimal amount of debt for the respective periods.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as credit, foreign currency and liquidity.

Credit risk

The credit risk of our Group primarily attributable to our trade and other receivables, amounts due from a Director and a related company and cash 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 our trade receivables, it is our Group's policy to deal with creditworthy counterparties. Majority of our Group's revenue is received from the private and public hospitals in Hong Kong. In view of the long history of business relationship with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in our Group's outstanding receivables based on historical payment record, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. Our Directors consider the credit risk of our Group to be low.

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Foreign currency risk

Our Group is exposed to foreign currency risk when the fair value or future cash flows of a financial instrument fluctuate because of changes in foreign exchange rates. Our Group operates in Hong Kong with certain business transactions being settled in HK\$, US\$ or Euro. As HK\$ is pegged to US\$, we do not expect any significant movement in the US\$/HK\$ exchange rate. Our management monitors foreign currency exposure of our Group and will consider undertake foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on our Group's operating result.

Liquidity risk

Our Group is exposed to minimal liquidity risk in respect of the settlement of trade and other payables, amounts due to Directors and our financing obligations. Our Group's policy is to regularly monitor the liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding to meet the liquidity requirements in the short and long run.

Details of the risk to which we are exposed are set out in note 34 to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

SENSITIVITY ANALYSIS

For the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017, our profit after tax amounted to approximately HK\$13.0 million, HK\$11.8 million, HK\$5.8 million and HK\$0.4 million, respectively. Fluctuation in the cost of revenue could affect our operating profits. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of revenue on our profit after tax, assuming all other variables remain unchanged. Cost of revenue are assumed to be increased or decreased by 5%, 10% and 15% for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017.

	Increase/(Decrease) in profit after tax			
	For the year ended 31 March		For the seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
15%	(3,092)	(3,210)	(1,911)	(1,848)
10%	(2,061)	(2,140)	(1,274)	(1,232)
5%	(1,031)	(1,070)	(637)	(616)
0%	–	–	–	–
-5%	1,031	1,070	637	616
-10%	2,061	2,140	1,274	1,232
-15%	3,092	3,210	1,911	1,848

FINANCIAL INFORMATION

DIVIDENDS

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, Solar-Med declared and paid dividends of approximately HK\$16.0 million, HK\$12.5 million and HK\$2.8 million, respectively, to Ms. Wong and her mother (i.e. Ms. Ching), the then shareholders of Solar-Med, out of the distributable profit. Substantially all of the dividends payable were paid to Ms. Wong due to her then 99.99% shareholding interest in Solar-Med and all of the dividends payable to Ms. Wong were fully settled by setting off against our Group's amount due from her. The minimal dividends payable to Ms. Ching were either fully paid to her directly in cash or, as instructed by her, released to Ms. Wong and settled by setting off against our Group's amount due from Ms. Wong. A special dividend of HK\$11.2 million was declared on 17 July 2017, of which HK\$10.0 million had been settled in cash as at 31 October 2017 and the remaining HK\$1.2 million had been settled in cash as at 30 November 2017. We do not intend to determine any expected dividend payout ratio and any dividend to be made is subject to the absolute discretion of our Board, and will be based upon our Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 July 2017 and is an investment holding company. The distributable reserves of our Company available for distribution as dividends amounted to approximately HK\$31.9 million as at 31 October 2017, represented the share premium of our Company.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.325 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$21.5 million, of which approximately HK\$7.4 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity. The remaining amount of approximately HK\$14.1 million has been or will be reflected in our consolidated statements of comprehensive income, of which approximately HK\$7.3 million (of which approximately HK\$0.1 million was funded by the proceeds from the Pre-IPO Investments), was recognised in our consolidated statement of comprehensive income for the seven months ended 31 October 2017, and the remaining listing expenses of approximately HK\$6.8 million is expected to be recognised for the five months ending 31 March 2018. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. Prospective investors should note that our financial results for the year ending 31 March 2018 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared by our Directors in accordance with Rule 7.31 of the GEM Listing Rules and on the basis of the notes set forth below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets attributable to owners of our Company as if the Share Offer had taken place on 31 October 2017. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of this hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to our Shareholders had the Capitalisation Issue and the Share Offer been completed on 31 October 2017 or at any future dates.

	Consolidated net tangible assets of our Group as at 31 October 2017	Estimated net proceeds from the proposed Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<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\$0.30 per Offer Share	<u>28,993</u>	<u>36,529</u>	<u>65,522</u>	<u>0.08</u>
Based on Offer Price of HK\$0.35 per Offer Share	<u>28,993</u>	<u>44,341</u>	<u>73,334</u>	<u>0.09</u>

Notes:

- The consolidated net tangible assets of our Group as at 31 October 2017 are based on audited consolidated net assets of our Group as at 31 October 2017 of HK\$31,683,000 with the adjustment of other assets of HK\$2,690,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
- The estimated net proceeds from the Share Offer are based on 168,000,000 Offer Shares and the Offer Price of HK\$0.30 per Offer Share (being the low-end of the indicative Offer Price range between HK\$0.30 to HK\$0.35 per Offer Share) and HK\$0.35 per Offer Share (being the high-end of the indicative Offer Price range between HK\$0.30 to HK\$0.35 per Offer Share), respectively after deduction of the underwriting fees and related expenses payable by our Group which has not been reflected in consolidated net tangible assets of our Group as at 31 October 2017. No account has been taken of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme.
- The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
- No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 October 2017.

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DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued our role as an established medical device distributor with a broad product range as we further developed our business to provide medical device solutions in Hong Kong. We continued to receive requests for quotation and submit our offers to tenders arranged by the Hospital Authority on behalf of public hospitals and certain public hospitals in Hong Kong. During this period, there were two tender contracts awarded to our Group with an aggregate contract sum of approximately HK\$0.4 million and approximately 1,000 quotations provided by our Group and accepted by our customers. From November 2017 to January 2018, to further promote the use of airway clearance machines for our medical device leasing services, we provided an airway clearance machine free of charge to an elderly care home in Kwai Chung, a public hospital in Cheung Sha Wan, a public hospital in Yuen Long and a public hospital in Tuen Mun respectively for trial use purpose. However, such elderly care home or hospitals might not start leasing these airway clearance machines from us after the end of the trial use period. As at the Latest Practicable Date, we owned 11 airway clearance machines, of which two were being leased, and two were being used for trial use purpose. In November 2017, we further expanded our product portfolio with a pharmacy automation system an automated logistics system for transporting medication, laboratory specimens and necessities for patients in hospitals through entering into a distribution agreement with an international automation solutions provider. Furthermore, in January 2018, we were granted a utility model patent by the State Intellectual Property Office of the PRC in respect of our nursing bra and a patent by the United States Patent and Trademark Office for our security system. Based on the unaudited management accounts of our Group, our average monthly revenue for the three months ended 31 January 2018 remained relatively stable as compared to that for the seven months ended 31 October 2017, and our average monthly gross profit and gross profit margin for the same period increased primarily because a higher proportion of spare parts, ligation clips and biopsy needles, which had a comparatively higher gross profit margin, were sold in the same period.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 October 2017, please refer to Note 35 to the Accountants' Report as set out in Appendix I to this prospectus.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of comprehensive income has caused a material adverse change in the financial or trading position or prospect of our Group since 31 October 2017 (being the date to which the latest audited consolidated

FINANCIAL INFORMATION

financial statements were made up). Our Directors consider that our financial performance for the year ending 31 March 2018 would be adversely affected by the recognition of non-recurring listing expenses. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for the year ending 31 March 2018 will decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2018 which may not be comparable to the financial performance of our Group in the past.

Our Directors have confirmed that, after performing all the due diligence work which they consider appropriate, there is no event which could materially affect the information shown in our financial information included in the Accountants' Report set forth in Appendix I to this prospectus since 31 October 2017 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects save as disclosed above.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business – Our business strategies” of this prospectus for our Group’s business objectives and strategies.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumption:

- (a) there will be no material changes in the existing HK Government policies or political, legal, fiscal or economic conditions in Hong Kong;
- (b) our Group will be able to continually obtain adequate finance for our business and operate as a going concern in the foreseeable future. The respective authorised financial institutions will not withdraw any of the existing available facilities, if any;
- (c) there will be no material changes in legislation or regulations or rules in the operating regions which will adversely affect the business of our Group;
- (d) our Group will not be materially affected by any risk factors set out in the section headed “Risk factors” of this prospectus;
- (e) there will be no material changes in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation in Hong Kong. Taxation is expected to be paid in April of every year;
- (f) our Group’s operations will not be adversely affected by interruptions or labour disputes, for reasons that are beyond the control of our Group;
- (g) there will be no fund raising activities, other than the Share Offer;
- (h) there will be no change to the credit terms granted to customers and trade receivable turnover days is expected to remain stable;
- (i) the sales proceeds will be collected according to our trade receivables turnover days;

FUTURE PLANS AND USE OF PROCEEDS

- (j) there will be no material change in the credit period granted by the suppliers and our Group will settle the invoice amount in accordance with the payment terms agreed;
- (k) there will be no Share repurchase;
- (l) there will not be material changes in the market demand and the competitive landscape of the medical device market in Hong Kong;
- (m) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” of this prospectus;
- (n) our Group is able to retain our major customers and suppliers;
- (o) our Group will be able to retain key staff in the management and the main operational departments;
- (p) our Group will not face significant obsolescence of inventory or impairment on trade debtors and make significant provision;
- (q) our Group will not be subject to any significant product recall, return or liabilities;
- (r) there will be no change in the effectiveness of the licenses and permits obtained by our Group;
- (s) the listing expenses will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;
- (t) there will be no change to existing accounting policies from those stated in the consolidated audited financial statements of our Group for the Track Record Period; and
- (u) our Group will be able to continue our operations in substantially the same manner as our Group has been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting our operations or business objectives in any way.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer, assuming an Offer Price of HK\$0.325 per Offer Share (being the mid-point of the Offer Price range of HK\$0.30 to HK\$0.35 per Offer Share), after deducting related underwriting fees and estimated expenses in connection with the Share Offer, are estimated to be approximately HK\$33.1 million. Our Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- approximately HK\$6.9 million (or approximately 20.9% of the net proceeds from the Share Offer) will be used to further penetrate the medical device market and enhance our market share in the medical device market in Hong Kong by increasing our investments in broadening our service portfolio (including maintenance, medical device leasing, home health nursing and product delivery) and enhancing our sales and marketing activities. Specifically, we plan to earmark (i) HK\$3.2 million for purchasing maintenance equipment to upgrade our maintenance services and 40 airway clearance machines for lease to customers such as elderly care homes and individual customers to cater for the demand of patients suffering from chronic respiratory diseases, and setting up our in-house logistics team; and (ii) HK\$3.7 million for our sales and marketing activities to promote our brand and enhance awareness of our corporate image, further details of which are set out in the paragraph headed “Business – Our business strategies – Further penetrate the medical device market through enhancing our quality value-added services and sales and marketing activities”;
- approximately HK\$10.7 million (or approximately 32.4% of the net proceeds from the Share Offer) will be used to expand our workforce by recruitment of two engineers, one enrolled nurse, one physiotherapist, seven product representatives, two marketing staff, two R&D staff, two information technology technical staff, one warehouse staff, one administration staff, one accounting staff, two drivers and two logistics staff and their salaries thereafter until 31 March 2020 to cope with our business expansion;
- approximately HK\$7.7 million (or approximately 23.1% of the net proceeds from the Share Offer) will be used to selectively pursue opportunities for strategic acquisition in the near future. As at the Latest Practicable Date, we had neither identified any suitable target, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential target. Please refer to the paragraph headed “Business – Our business strategies – Selectively pursue opportunities for strategic acquisitions” for further details of our acquisition strategy;
- approximately HK\$1.3 million (or approximately 3.9% of the net proceeds from the Share Offer) will be used to enhance our R&D and product development effort. Please refer to the paragraph headed “Business – R&D – Product development” of this prospectus for further details of our product development;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$2.5 million (or approximately 7.5% of the net proceeds from the Share Offer) will be used to upgrade our information technology systems;
- approximately HK\$2.2 million (or approximately 6.7% of the net proceeds from the Share Offer) will be used to maximise our warehouse space, establish our showroom and upgrade the functionality of our office; and
- approximately HK\$1.8 million (or approximately 5.5% of the net proceeds from the Share Offer) will be used for general working capital of our Group.

Our planned recruitment, marketing activities, R&D activities and acquisition of additional fixed assets as set out in this section will be fully financed by the net proceeds from the Share Offer. It is expected that our spending in relation to the additional costs and expenses arising out of these planned activities will mainly spread across over a two-year period from the Listing Date and up to 31 March 2020 in accordance with the timing of application of net proceeds from the Share Offer as set out in this prospectus. The additional costs and expenses to be incurred for these planned activities after 31 March 2020 will be financed by our internal resources. Meanwhile, our Group will continue our operations in substantially the same manner as our Group had been operating during the Track Record Period and our Directors believe that our business will generate sufficient revenue to cover such additional costs and expenses in the future. Although our Directors do not expect that revenue will be generated from such activities immediately after implementation of such planned activities, our Directors believe that these activities will facilitate our business development and help generate revenue in the long run. As such, our Directors do not expect that such additional costs and expenses to be incurred will have a material adverse impact on the future performance of our Group in the long run.

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 31 March 2020. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed "Bases and assumptions" in this section above. 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" of 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 business objectives of our Group will be accomplished at all. Based on our Group's business objectives, our Directors intend to carry out the following implementation plans and apply the net proceeds from the Share Offer in the following manner:

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2018 to 30 September 2018

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Further penetrate the medical device market and enhance our market share	<ul style="list-style-type: none"> • Purchase 16 airway clearance machines for provision of medical device leasing services • Purchase maintenance equipment including one resharpening machine and two electrical safety analysers for testing of electric beds for our maintenance service upgrade • Participate in (a) the IFSEC Exhibition 2018, an international security exhibition in London; and (b) Florida International Medical Expo 2018 (FIME), an international medical trade fair in the United States and/or other trade shows, exhibitions and conventions • Re-design and enhance our website to include an e-commerce platform to serve our retail customers online • Expand our marketing campaigns to include social media marketing to raise our profile on social media platforms • Purchase product samples for display in our showroom 	Approximately HK\$3.4 million


FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Expand our workforce	<ul style="list-style-type: none"> • Recruit six sales executives, who shall have two years' relevant experience in sales of medical devices, to execute our sales activities targeted towards existing and new customers • Recruit a deputy marketing manager, who shall be a degree holder with five years' relevant experience in marketing of medical devices, to manage our sales and marketing and ensure our sales and marketing strategy can be implemented effectively • Recruit two information technology technicians, who shall have three years' relevant information technology experience, to provide support to our information technology systems in view of the launch of our online sales and marketing channels • Recruit an analyst programmer, who shall have three years' relevant experience in information technology, to support our R&D of our security systems • Recruit a physiotherapist, who shall be a degree holder with three years' relevant experience in physiotherapy, to provide value-added support for our airway clearance machine leasing service • Recruit an assistant accountant, who shall be a higher diploma holder with three years' relevant experience in accounting, to support our accounting and financial reporting functions 	Approximately HK\$1.8 million

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
	<ul style="list-style-type: none">• Recruit a warehouse staff, who shall have one year's relevant experience in warehouse operation, to support the operation of our warehouse• Recruit a service engineer, who shall be a higher diploma holder with three years' relevant experience in engineering, to provide engineering support for our maintenance services• Recruit an enrolled nurse, who shall be a degree holder with two years' relevant nursing experience, to promote our medical products while providing home health nursing services• Recruit an administration officer, who shall be a degree holder with five years' relevant experience in office administration, to support our administration functions• Evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development	

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
<p>Enhance our R&D and product development efforts</p>	<ul style="list-style-type: none"> • Conduct (a) further testing on our nursing bra by an independent laboratory to evaluate the breast milk quality after using the nursing bra and assess the extent of impact of our nursing bra on the nutrition quality of the breast milk and (b) product material safety testing on our  brand products • Apply for CE certification for our in-patient hybrid security systems and security tags • Purchase laptops for software and mobile app development 	<p>Approximately HK\$0.6 million</p>
<p>Upgrade our information technology systems</p>	<ul style="list-style-type: none"> • Purchase new computer hardware and software 	<p>Approximately HK\$0.2 million</p>
<p>Maximise our warehouse space, establish our showroom and upgrade the functionality of our office space</p>	<ul style="list-style-type: none"> • Establish a showroom to display product samples for our customers' inspection before ordering • Purchase warehouse racks and carry out enhancement work of our warehouse • Purchase video conference system and other board room facilities 	<p>Approximately HK\$1.6 million</p>

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2018 to 31 March 2019

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Further penetrate the medical device market and enhance our market share	<ul style="list-style-type: none"> • Purchase eight airway clearance machines for provision of medical device leasing services • Participate in (a) the Medica 2018, an international medical trade fair in Germany; and (b) the Hong Kong Baby Product Fair 2019 and/or other trade shows, exhibitions and conventions • Continue social media marketing by maintaining our profile on social media platforms 	Approximately HK\$0.8 million
Expand our workforce	<ul style="list-style-type: none"> • Recruit one sales executive, who shall have two years' relevant experience in sales of medical devices, to execute our sales activities targeted towards existing and new customers • Recruit a technical support staff, who shall have three years' relevant experience in information technology, to support our R&D of our security systems • Recruit a senior engineer, who shall be a degree holder with five years' relevant experience in engineering, to manage our engineering functions for our new products • Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development 	Approximately HK\$2.5 million

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Selectively pursue opportunities for strategic acquisitions	<ul style="list-style-type: none"> Engage professional advisers to conduct detailed legal and financial due diligence on the potential targets 	Approximately HK\$0.3 million
Enhance our R&D and product development efforts	<ul style="list-style-type: none"> Develop hardware prototypes of our security system for simulation 	Approximately HK\$0.2 million
Upgrade our information technology systems	<ul style="list-style-type: none"> Purchase and implement the enterprise resources planning system and review its performance and operating efficiency 	Approximately HK\$2.3 million
Maximise our warehouse space, establish our showroom and upgrade the functionality of our office space	<ul style="list-style-type: none"> Continue to maintain a showroom to display product samples for our customers' inspection before ordering 	Approximately HK\$0.2 million

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2019 to 30 September 2019

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Further penetrate the medical device market and enhance our market share	<ul style="list-style-type: none"> • Purchase eight airway clearance machines for provision of medical device leasing services • Establish our in-house logistics team and purchase two delivery trucks for provision of logistics service • Participate in (a) the IFSEC Exhibition 2019, an international security exhibition in London; and (b) the Medical Fair Asia 2019, a medical trade fair in Singapore and/or other trade shows, exhibitions and conventions • Continue social media marketing by maintaining our profile on social media platforms 	Approximately HK\$1.6 million
Expand our workforce	<ul style="list-style-type: none"> • Recruit one marketing executive, who shall have three years' relevant experience in marketing of medical devices, to execute our marketing activities for our products • Recruit two drivers and two logistics staff, who shall have two years' relevant experience in logistics operation, to support our logistics services • Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development 	Approximately HK\$3.1 million


FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Selectively pursue opportunities for strategic acquisitions	<ul style="list-style-type: none"> Enter into definitive agreement for the acquisition and execute the acquisition plan, subject to our due diligence on the potential target and negotiations with the potential sellers 	Approximately HK\$7.4 million
Maximise our warehouse space, establish our showroom and upgrade the functionality of our office space	<ul style="list-style-type: none"> Continue to maintain a showroom to display product samples for our customers' inspection before ordering 	Approximately HK\$0.2 million

From 1 October 2019 to 31 March 2020

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Further penetrate the medical device market and enhance our market share	<ul style="list-style-type: none"> Purchase eight airway clearance machines for provision of medical device leasing services Participate in (a) the Medica 2019, an international medical trade fair in Germany; (b) Hong Kong Baby Products Fair 2020; (c) the Prego Expo, an national pregnancy, parenting and baby expo in the United States; and (d) the Baby Show 2020 to be held in London and/or other trade shows, exhibitions and conventions Continue social media marketing by maintaining our profile on social media platforms 	Approximately HK\$1.1 million

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Approximate amount of net proceeds from the Share Offer to be applied</u>
Expand our workforce	<ul style="list-style-type: none"> Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development 	Approximately HK\$3.3 million
Enhance our R&D and product development efforts	<ul style="list-style-type: none"> Purchase a seamless knitting machine for our further product development relating to our nursing bra and other rehab clothing under our  brand Apply for CE certification for our security tags 	Approximately HK\$0.5 million
Maximise our warehouse space, establish our showroom and upgrade the functionality of our office space	<ul style="list-style-type: none"> Continue to maintain a showroom to display product samples for our customers' inspection before ordering 	Approximately HK\$0.2 million

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth a breakdown of how the net proceeds from the Share Offer are intended to be applied and the timing of application:

	From the Listing Date to 31 March 2018	From 1 April 2018 to 30 September 2018	From 1 October 2018 to 31 March 2019	From 1 April 2019 to 30 September 2019	From 1 October 2019 to 31 March 2020	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further penetrate the medical device market and enhance our market share	–	3.4	0.8	1.6	1.1	6.9
Expand our workforce	–	1.8	2.5	3.1	3.3	10.7
Selectively pursue opportunities for strategic acquisitions	–	–	0.3	7.4	–	7.7
Enhance our R&D and product development effort	–	0.6	0.2	–	0.5	1.3
Upgrade our information technology systems	–	0.2	2.3	–	–	2.5
Maximise our warehouse space, establish our showroom and upgrade the functionality of our office space	–	1.6	0.2	0.2	0.2	2.2
General working capital	–	0.5	0.5	0.4	0.4	1.8
	–	8.1	6.8	12.7	5.5	33.1

Our Directors consider that the net proceeds to be received by us from the Share Offer of approximately HK\$33.1 million, together with our Group's internal resources and cash generated from our operation, will be sufficient to finance the business plans of our Group as scheduled up to 31 March 2020.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.35 per Share, the net proceeds from the Share Offer will increase by approximately HK\$3.9 million. If the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.30 per Share, the net proceeds from the Share Offer will decrease by approximately HK\$3.9 million.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is fixed at a level higher than the mid-point of the estimated Offer Price range stated in this prospectus, the net proceeds allocated for financing partly the costs and expenses for strategic acquisition will increase by approximately HK\$3.5 million and those allocated for our general working capital will increase by approximately HK\$0.4 million, while the amount of the net proceeds to be allocated for other uses will remain unchanged. If the Offer Price is fixed at a level lower than the mid-point of the estimated Offer Price range, the allocation of the net proceeds from the Share Offer will be adjusted to the extent that, if necessary, we may (i) not purchase and install the video conference system and other board room facilities; (ii) not participate in some of the trade shows, exhibitions and conventions and reduce the types of medical equipment to be purchased for display in our showroom; (iii) cancel or delay the recruitment of four personnel under our planned recruitment; (iv) reduce the amount of the net proceeds to be allocated for financing partly the costs and expenses for strategic acquisition; and (v) reduce the amount of the net proceeds to be allocated for our general working capital.

If the Offer Size Adjustment Option is exercised in full and the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.35 per Share, the net proceeds from the Share Offer will increase by approximately HK\$12.1 million (compared to the scenario where the Offer Size Adjustment Option is not exercised and the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.325 per Share). An additional amount of net proceeds of: (i) approximately HK\$7.6 million will be applied to finance the costs and expenses for strategic acquisition; (ii) approximately HK\$2.7 million to establish a larger showroom with more extensive product samples on display; (iii) approximately HK\$1.0 million to further enhance our sales and marketing efforts through participating in more trade shows, exhibitions and conventions and strengthening our social media platform; and (iv) approximately HK\$0.8 million to our general working capital.

To the extent that the net proceeds from the Offer Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

Should our Directors decide to re-allocate the intended use of the net proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of the net proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

The business objective of our Group is to enhance our market share and become one of the major medical device distributors in Hong Kong. Our Directors believe the estimated net proceeds from the Share Offer of approximately HK\$33.1 million (after deducting the related underwriting commission and expenses payable in relation to the Share Offer) will help us to pursue our business objectives and implement our business strategies and plans as set out above.

For the two years ended 31 March 2017 and the seven months ended 31 October 2017, we had operating cash flow before changes in working capital of approximately HK\$18.0 million, approximately HK\$15.2 million and approximately HK\$2.7 million, respectively. As at 31 October 2017, we had cash and bank balances of approximately HK\$8.9 million and as at 31 January 2018, we had a banking facility of HK\$3.0 million which was secured by a bank deposit of approximately HK\$3.0 million placed by our Group as collateral. It is currently expected that such banking facility will not be sufficient to fund the implementation of our business strategies. Furthermore, as we plan to expand our procurement network and secure distributorship with new suppliers in the near future, we may not be able to secure from new suppliers a credit term similar to the current arrangements or at all. It is therefore necessary for us to reserve sufficient working capital to meet any significant cash outflow for payment to such new suppliers. Hence, our Directors consider that our Group's current financial resources will only be sufficient to support our Group's existing operations for the next 12 months from the date of this prospectus, and we will need to raise funds through the Share Offer to facilitate the implementation of our business strategies as stated in the paragraph headed "Business – Our business strategies" of this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to finance our business expansion which will further strengthen our market position and expand our market share in the medical device market in Hong Kong.

Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation and enhance our competitiveness and our credibility with our customers, suppliers and potential investors. We believe that a public listing status on GEM is a complementary advertising for our Group and can enhance our bargaining power to negotiate better credit term with new suppliers in the future. Furthermore, the Listing will also enable our Group to gain access to the capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to higher liquidity in the trading of our Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

FUTURE PLANS AND USE OF PROCEEDS

As at 31 March 2016 and 2017 and 31 October 2017, our Group had low gearing ratio of 5.4%, 0.3% and 3.8%, respectively. Our Directors believe that it was necessary to maintain a disciplined financial strategy without exposing our Group to aggressive gearing to achieve a sustainable growth in the long run. Moreover, our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees or other form of security to be provided by Ms. Wong. It is anticipated that any additional bank borrowings to our Group would require Ms. Wong to provide additional guarantee if our Company were not listed. Further, as a medical device distributor does not usually have a large amount of fixed asset that can be sufficiently used as collateral, our Directors consider that it would not be easy for our Group to obtain the required banking facilities at a competitive rate without having to provide some form of fixed assets as collateral or personal guarantees from Ms. Wong as security. The Share Offer will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on Ms. Wong to do so. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited

Ruibang Securities Limited

Aristo Securities Limited

Koala Securities Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering 16,800,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Stock Exchange granting listing of, and permission to deal in, our Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed and becoming unconditional.

UNDERWRITING

Grounds for termination

The Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the absolute right which is exercisable by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), upon giving notice in writing to our Company, to terminate the arrangements set out in the Public Offer Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Thursday, 29 March 2018):

- (a) it has come to the notice of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers that:
 - (i) any statement contained in this prospectus or other documents issued or used by or on behalf of our Company or information provided to the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers in connection with the Share Offer (the “**Relevant Documents**”), considered by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers in its/their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, inaccurate, incorrect or misleading in any material respect;
 - (ii) 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 considered by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers in its/their absolute opinion to be material in the context of the Share Offer;
 - (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement and the Placing Underwriting Agreement considered by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers in its/their absolute opinion to be material in the context of the Share Offer (other than upon any of the Underwriters);
 - (iv) either (1) there has been a breach of any of the warranties or provisions of the Public Offer Underwriting Agreement by any of our Company, our executive Directors or our Controlling Shareholders (collectively, the “**Warrantors**”) or (2) any matter or event showing or rendering any of the warranties contained in the Public Offer Underwriting Agreement, as applicable, in the absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, to be untrue, incorrect or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Public Offer Underwriting Agreement; or

UNDERWRITING

- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties, in the absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any respect;
- (b) there shall develop, occur, happen, exist or come into effect:
 - (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong;
 - (ii) any change or development involving a change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar);
 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or BVI (the “**Relevant Jurisdictions**”);
 - (iv) the imposition of economic sanctions on any of the Relevant Jurisdictions;
 - (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
 - (vi) any litigation or claim of importance instigated against any member of our Group or any Director;
 - (vii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
 - (viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

UNDERWRITING

- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (x) any contravention by any member of our Group or any Director of the GEM Listing Rules or any applicable laws;
- (xi) a prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Share Offer;
- (xii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws by any of our Directors or the Warrantors;
- (xiii) the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Offer Shares);
- (xiv) any change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group 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 member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xvi) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xvii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of the other exchanges or by such system or by order of any regulatory or governmental authority,

UNDERWRITING

which in each case or in aggregate in the absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (i) is or will be materially adverse to or may prejudicially affect the business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group;
- (ii) has or will have a material adverse effect on the success of the Share Offer or the level of interest under the Placing;
- (iii) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (iv) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers:

- (a) any matter or event showing any of the warranties contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Public Offer Underwriting Agreement or any other provision of the Public Offer Underwriting Agreement by any party hereto (other than the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers), which is considered, in the sole and absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), to be material in the context of the Share Offer;
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in the context of the Share Offer;

UNDERWRITING

- (c) any statement contained in this prospectus reasonably considered to be material by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the sole and absolute opinion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) to be material in the context of the Share Offer; or

- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of the Warrantors pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

The Placing Underwriting Agreement

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters 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 procure subscribers to subscribe for, or failing which they shall subscribe for, the 151,200,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional on or before such time and date in accordance with its terms 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 paragraphs headed “Undertakings to the Stock Exchange” and “Undertakings pursuant to the Public Offer Underwriting Agreement” below in this section.

Our Company is expected to grant the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, for themselves and on behalf of the Placing Underwriters, at any time during the period from the date of the Placing Underwriting Agreement to the Business Day immediately before the date of announcement of results of allocations and the basis of allocation of the Public Offer Share or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 25,200,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover excess demand, if any, in the Placing.

UNDERWRITING

UNDERTAKINGS TO THE STOCK EXCHANGE

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer (including the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, she/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that she/it shall, and shall procure that the relevant registered holder(s) shall:

- (a) in the event that she/it pledges or charges any 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, at any time during the 12-month period from the Listing Date, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in our Shares under paragraph (a) above, inform our Company immediately in the event that she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under paragraph (a) or (b) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

UNDERWRITING

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

Our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that we shall not, unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue, the exercise of the Offer Size Adjustment Option, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option to be granted under the Share Option Scheme, at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Lock-Up Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a depository in connection with the issue of depository receipts;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the Lock-Up Period).

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that, unless in compliance with the GEM Listing Rules, she/it shall, and shall procure that her/its close associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for her/it or the companies controlled by her/it, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (a) at any time during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), not to:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create encumbrances over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) in respect of which she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”) or any interest therein;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities or any interest therein;
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph(a)(i), (a)(ii) or (a)(iii) above,

in each case, whether any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of our Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

UNDERWRITING

- (b) at any time during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), not to enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) and (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any such sale, transfer or disposal or upon the exercise or enforcement of any such options, rights, interests or encumbrances pursuant to such transaction, she/it will cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company; and

- (c) until the expiry of the Second Six-Month Period, in the event that she/it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) and (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, take all steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in our Shares or any other securities of our Company.

UNDERTAKINGS BY EACH OF INFINITE CRYSTAL AND AKATSUKI

Each of Infinite Crystal and its majority shareholder (i.e. Mr. Chiu) and Akatsuki (the “**Covenantors**”) entered into a lock-up agreement in favour of our Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners and Joint Lead Managers (for themselves and on behalf of the Underwriters) on 13 March 2018, pursuant to which each of the Covenantors jointly and severally undertakes to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the other Underwriters that it will not, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), during the First Six-Month Period:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, any shares or other securities of each of the Covenantors (where applicable) or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or shares of each of the Covenantors (where applicable)), or deposit any Shares or other securities of our Company or any shares or other securities of each of the Covenantors (where applicable) with a depositary in connection with the issue of depositary receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of each of the

UNDERWRITING

Covenantors (where applicable) or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or shares of each of the Covenantors (where applicable)); or

- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of our Shares or other securities of our Company or shares or other securities of each of the Covenantors (where applicable) or in cash or otherwise (whether or not the issue of such Shares or other securities of our Company or shares or other securities of each of the Covenantors (where applicable) will be completed within the First Six-Month Period).

Total commission, fee and expenses

In connection with the Share Offer, the Public Offer Underwriters will, and the Placing Underwriters are expected to, receive an underwriting commission of 7.0% of the aggregate Offer Price payable for the Offer Shares according to the arrangement of the Underwriting Agreements, out of which they will pay any sub-underwriting commissions. In addition, the Joint Bookrunners may, at our Company's sole discretion, receive an incentive fee of such amount determined by us in our Company's sole discretion.

In connection with the Listing and the Share Offer, the total expenses to be borne by our Company (assuming the Offer Price of HK\$0.325 (being the mid-point of the stated range of the Offer Price) including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sole sponsorship fee, the listing fees and legal and other professional fees, printing and other expenses are approximately HK\$21.5 million (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with the exercise of the Offer Size Adjustment Option.

The Sole Sponsor and the Underwriters' interest in our Company

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

UNDERWRITING

Save for their interests and obligations under the Underwriting Agreements, the sole sponsorship fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 168,000,000 Offer Shares will be made available under the Share Offer, of which 151,200,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 16,800,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” of this prospectus. Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 151,200,000 Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer, and approximately 18.9% of our Company’s enlarged issued share capital immediately after completion of and the Capitalisation Issue and the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters (subject to satisfaction or waiver of the other conditions provided in the Placing Underwriting Agreement).

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other 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.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer

Our Company is initially offering 16,800,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer, and approximately 2.1% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement). Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.35 per Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Offer Share.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 100% of our Shares initially comprised in the Public Offer (i.e. 16,800,000 Public Offer Shares) are liable to be rejected.

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. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, at their absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then up to 16,800,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 33,600,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 50,400,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 67,200,000 Shares, representing 40% of the total number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 84,000,000 Shares, representing 50% of the total number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 33,600,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If reallocation of Shares from the Placing to the Public Offer is done other than pursuant to the clawback mechanism under Practice Note 6 to the GEM Listing Rules (including the circumstances specified under paragraph (a)(iii), (a)(iv) or (a)(v) above), the Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), subject to the maximum total number of Offer Shares that may be allocated to the Public Offer, being 33,600,000 Shares, representing twice the number of Offer Shares initially allocated to the Public Offer, in accordance with Guidance Letter HKEX-GL-91-18.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Wednesday, 28 March 2018.

OFFER SIZE ADJUSTMENT OPTION

Our Company is expected to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) at any time during the period from the date of the Placing Underwriting Agreement to the Business Day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 25,200,000 additional Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of our Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) in their absolute discretion may decide to whom and the proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 25,200,000 Shares and the Offer Shares will represent approximately 3.05% and 23.41% respectively of our Company's enlarged share capital immediately after completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OFFER PRICE

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Thursday, 22 March 2018. If the Sole Global Coordinator, the Joint Bookrunners and 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 Thursday, 22 March 2018 or such later date as may be agreed between our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed. The Sole Global Coordinator, the Joint Bookrunners and 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 to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandbrilliancegroup.com, an announcement of such change on or before the Price Determination Date and will issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for our Shares the right to withdraw their applications under the Public Offer. In such event, details of the arrangement will be announced by our Company as soon as practicable. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus, unless otherwise announced.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandbrilliancegroup.com a notice of the change and if applicable the revised date. Assuming the Offer Size Adjustment Option is not exercised at all, the net proceeds from the Share Offer based on the Offer Price of HK\$0.325 per Share (being the mid-point of the stated range of the Offer Price) are estimated to be approximately HK\$33.1 million, after deduction of the underwriting commission and other expenses relating to the Share Offer and the Listing payable by our Company.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandbrilliancegroup.com on Wednesday, 28 March 2018.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK\$3,535.27 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.35 per Offer Share, appropriate refund payments (including the related brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and such grant and permission not subsequently being revoked prior to the Listing Date;
- (ii) the Price Determination Agreement between our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) being entered into on or before the Price Determination Date and such agreement not having been subsequently terminated; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of that agreement or otherwise).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If such conditions have not been fulfilled or waived by the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.grandbrilliancegroup.com* on the next Business Day following such lapse.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the 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 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 29 March 2018, dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 29 March 2018. Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8372.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, 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 FOR THE PUBLIC OFFER SHARES

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); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing.

HOW TO APPLY FOR PUBLIC OFFER SHARES

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 19 March 2018 to 12:00 noon on Thursday, 22 March 2018 from:

- (i) the offices of any of the following parties:

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millenium Plaza
181 Queen's Road Central
Hong Kong

Ruibang Securities Limited

9/F, Sang Woo Building
227-228 Gloucester Road
Wanchai
Hong Kong

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Koala Securities Limited

Units 01-02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A Des Voeux Road Central Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F Aberdeen Centre Site 5 6-12 Nam Ning Street Aberdeen
Kowloon	Tsimshatsui Branch	Shop G30 & B117-23 G/F, Mira Place One 132 Nathan Road Tsim Sha Tsui
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza 298 Sha Tsui Road Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 19 March 2018 until 12:00 noon on Thursday, 22 March 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 "HORSFORD NOMINEES LIMITED – GRAND BRILLIANCE GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 19 March 2018 – 9:00 a.m. to 5:00 p.m.
Tuesday, 20 March 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 21 March 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 22 March 2018 – 9:00 a.m. to 12:00 noon

The application lists will be opened from 11:45 a.m. to 12:00 noon on Thursday, 22 March 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the applications lists" of this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Sponsor and/or the Sole Global Coordinator and/or the Joint Bookrunners and 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 Laws, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Global Coordinator, the Joint Bookrunners and 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 for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person;

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent; and
- (xx) understand that, where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed irrespective of the number of times, up to 16,800,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 33,600,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option). Further details of the reallocation are stated in the paragraph headed “Structure and conditions of the Shares Offer – Reallocation of the Offer Shares between Placing and Public Offer” of this prospectus.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

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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 Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and 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;

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- 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;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and 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 Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and 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;

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- 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, the 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, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 19 March 2018 – 9:00 a.m. to 8:30 p.m.^(Note)
Tuesday, 20 March 2018 – 8:00 a.m. to 8:30 p.m.^(Note)
Wednesday, 21 March 2018 – 8:00 a.m. to 8:30 p.m.^(Note)
Thursday, 22 March 2018 – 8:00 a.m.^(Note) **to 12:00 noon**

Note: 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 Monday, 19 March 2018 until 12:00 noon on Thursday, 22 March 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 Thursday, 22 March 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” of this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 22 March 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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- 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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Offer Price” of this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 March 2018.

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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 Thursday, 22 March 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” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 28 March 2018 on our Company’s website at www.grandbrilliancegroup.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.grandbrilliancegroup.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 28 March 2018;
- from the designated results of allocations website at www.tricor.com.hk/lipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 28 March 2018 to 12:00 midnight on Friday, 6 April 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 28 March 2018 to Wednesday, 4 April 2018 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 28 March 2018 to Tuesday, 3 April 2018 at the designated receiving bank branches and sub-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.

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11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 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 our agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Department of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or

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- within a longer period of up to six weeks if the Listing Department of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor or the Sole Global Coordinator or the Joint Bookrunners and 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 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer – Conditions of the Share Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, the 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 Wednesday, 28 March 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of our 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, the 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 Wednesday, 28 March 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 Thursday, 29 March 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2018 or such other date as notified by us in the newspapers.

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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 our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 28 March 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 for collection of refund cheque(s). 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 Wednesday, 28 March 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 Wednesday, 28 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *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 the paragraph headed "10. Publication of Results" of this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 28 March 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.

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(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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 Wednesday, 28 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" of this section on Wednesday, 28 March 2018.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 28 March 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 Wednesday, 28 March 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.

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- 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, the 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 Wednesday, 28 March 2018.

14. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our 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 our 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 our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from our Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GRAND BRILLIANCE GROUP HOLDINGS LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Grand Brilliance Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-45, which comprises the consolidated statements of financial position as at 31 March 2016 and 2017 and 31 October 2017 and the statement of financial position of the Company as at 31 October 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the two years ended 31 March 2017 and the seven months ended 31 October 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-45 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 March 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in notes 2 and 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in notes 2 and 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016 and 2017 and 31 October 2017 and the Company's financial position as at 31 October 2017, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in notes 2 and 3 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 October 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 preparation and presentation set out in notes 2 and 3 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 and presentation set out in notes 2 and 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on 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 I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the entities now comprising the Group in respect of the Relevant Periods and states that no dividend was paid or declared by the Company since its incorporation.

No financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Leung Tze Wai

Practising Certificate Number: P06158

Hong Kong

19 March 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Seven months ended			
		Year ended 31 March		31 October	
		2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	7	52,876	51,657	28,942	30,958
Cost of revenue		(24,688)	(25,631)	(15,257)	(14,752)
Gross profit		28,188	26,026	13,685	16,206
Other income	8	116	74	40	50
Other gains or losses		344	162	36	109
Distribution and selling expenses		(800)	(795)	(403)	(437)
Administrative and other operating expenses		(12,311)	(11,277)	(6,334)	(6,569)
Listing expenses		–	–	–	(7,335)
Finance costs	9	(7)	–	–	–
Profit before income tax	10	15,530	14,190	7,024	2,024
Income tax expense	11	(2,551)	(2,388)	(1,206)	(1,645)
Profit for the year/period		12,979	11,802	5,818	379
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Available-for-sale financial assets					
– Changes in fair value		–	225	–	(20)
Other comprehensive income for the year/period		–	225	–	(20)
Total comprehensive income for the year/period		12,979	12,027	5,818	359
Earnings per share	14	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March		As at
		2016	2017	31 October
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	717	307	1,490
Other asset	16	2,690	2,690	2,690
Available-for-sale financial assets	17	545	770	750
Deferred tax assets	18	136	180	–
		<u>4,088</u>	<u>3,947</u>	<u>4,930</u>
Current assets				
Inventories	19	14,706	13,718	13,957
Trade and other receivables, deposits and prepayments	20	7,541	7,689	12,963
Amount due from a director	21	–	169	–
Amount due from a related company	22	1,022	–	–
Tax recoverable		–	19	–
Cash and bank balances	23	16,922	9,776	8,894
		<u>40,191</u>	<u>31,371</u>	<u>35,814</u>
Current liabilities				
Trade and other payables	24	10,615	3,915	7,620
Deferred revenue		293	66	192
Amounts due to directors	21	327	80	–
Tax payable		1,379	25	1,200
		<u>12,614</u>	<u>4,086</u>	<u>9,012</u>
Net current assets		<u>27,577</u>	<u>27,285</u>	<u>26,802</u>
Total assets less current liabilities		<u>31,665</u>	<u>31,232</u>	<u>31,732</u>
Non-current liabilities				
Deferred tax liabilities	18	–	–	49
Net assets		<u>31,665</u>	<u>31,232</u>	<u>31,683</u>
CAPITAL AND RESERVES				
Share capital	25	1,500	1,500	–
Reserves	26	30,165	29,732	31,683
Total equity		<u>31,665</u>	<u>31,232</u>	<u>31,683</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at
		31 October
	<i>Notes</i>	2017
		<i>HK\$'000</i>
ASSETS		
Non-current asset		
Investment in a subsidiary	<i>31</i>	17,809
Current asset		
Amount due from a subsidiary	<i>31</i>	9,601
Total assets		27,410
CAPITAL AND RESERVES		
Share capital	<i>25</i>	–
Reserves	<i>26</i>	27,410
Total equity		27,410

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Merger reserve*	Available-for-sale financial assets revaluation reserve*	Retained earnings*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	1,500	–	–	–	33,186	34,686
Profit for the year	–	–	–	–	12,979	12,979
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	12,979	12,979
Dividends declared (<i>note 13</i>)	–	–	–	–	(16,000)	(16,000)
At 31 March 2016 and 1 April 2016	1,500	–	–	–	30,165	31,665
Profit for the year	–	–	–	–	11,802	11,802
Other comprehensive income for the year	–	–	–	–	–	–
– Fair value changes of available-for-sale financial assets	–	–	–	225	–	225
Total comprehensive income for the year	–	–	–	225	11,802	12,027
Dividends declared (<i>note 13</i>)	–	–	–	–	(12,460)	(12,460)
At 31 March 2017 and 1 April 2017	1,500	–	–	225	29,507	31,232
Profit for the period	–	–	–	–	379	379
Other comprehensive income for the period	–	–	–	–	–	–
– Fair value changes of available-for-sale financial assets	–	–	–	(20)	–	(20)
Total comprehensive income for the period	–	–	–	(20)	379	359
Dividends declared (<i>note 13</i>)	–	–	–	–	(14,040)	(14,040)
Arising from group reorganisation	(1,500)	–	1,500	–	–	–
Issue of shares (<i>note 25</i>)	–	14,132	–	–	–	14,132
At 31 October 2017	–	14,132	1,500	205	15,846	31,683
Seven months ended 31 October 2016 (Unaudited)						
At 1 April 2016	1,500	–	–	–	30,165	31,665
Profit for the period	–	–	–	–	5,818	5,818
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	5,818	5,818
At 31 October 2016	1,500	–	–	–	35,983	37,483

* The total of these equity accounts as at the end of each of the Relevant Periods represent “Reserves” in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Seven months ended 31 October	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Cash flows from operating activities				
Profit before income tax	15,530	14,190	7,024	2,024
Adjustments for:				
Interest expense	7	–	–	–
Depreciation of property, plant and equipment	482	453	292	160
Allowance for inventories	368	380	333	369
Write-off of inventories	161	220	157	158
Provision for impairment of trade receivables	1,418	–	–	–
Write-off of trade receivables	4	–	–	–
Write-off of deposits received	(13)	–	–	–
Operating profit before working capital changes	17,957	15,243	7,806	2,711
(Increase)/Decrease in inventories	(7,167)	388	3,957	(766)
Decrease/(Increase) in trade and other receivables, deposits and prepayments	2,640	(148)	(12,660)	(5,216)
Increase/(Decrease) in trade and other payables	5,567	(6,704)	(6,253)	2,511
(Decrease)/Increase in deferred revenue	(287)	(227)	(200)	126
Increase in pledged bank deposit	–	–	–	(3,030)
Cash generated from/(used in) operations	18,710	8,552	(7,350)	(3,664)
Income tax paid	(2,802)	(3,805)	(500)	(222)
Net cash generated from/(used in) operating activities	15,908	4,747	(7,850)	(3,886)
Cash flows from investing activities				
Purchase of property, plant and equipment	(113)	(43)	(33)	(1,343)
Increase in amount due from a related company	(50)	(250)	(250)	–
Changes in amount due from a director	(3,738)	(11,353)	(98)	(2,735)
Net cash used in investing activities	(3,901)	(11,646)	(381)	(4,078)
Cash flows from financing activities				
Interest paid on bank borrowings	(7)	–	–	–
Dividend paid	–	–	–	(10,000)
Increase/(Decrease) in amounts due to directors	247	(247)	(247)	(80)
Proceeds from issue of shares	–	–	–	14,132
Net cash generated from/(used in) financing activities	240	(247)	(247)	4,052
Net increase/(decrease) in cash and cash equivalents	12,247	(7,146)	(8,478)	(3,912)
Cash and cash equivalents at beginning of year/period	4,675	16,922	16,922	9,776
Cash and cash equivalents at end of year/period	16,922	9,776	8,444	5,864
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	16,922	9,776	8,444	5,864

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law, Cap.22 of the Cayman Islands on 5 July 2017. The address of the Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at Units 2901-03 and 2905, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

No statutory financial statements have been prepared for the Company as it is newly incorporated and has not involved in any significant business transactions except for the Group's reorganisation.

The Company is an investment holding company and its subsidiaries are principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance (the "Business").

2. REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the incorporation of the Company and the Group's reorganisation, the Business was carried on by Solar-Med Limited ("Solar-Med"), Sonne International Company Limited ("Sonne International"), Sonne Technology International Limited ("Sonne Technology") and Sonne (UK) Limited ("Sonne UK") (together the "Operating Companies") which were under common controlled by Ms. Wong Bik Kwan Bikie ("Ms. Wong").

In preparation for the listing of shares of the Company on GEM of the Stock Exchange (the "Listing"), the companies now comprising the Group underwent a group reorganisation (the "Reorganisation") to rationalise the corporate structure. The steps under the Reorganisation are described below:

- (a) The Company was incorporated in the Cayman Islands on 5 July 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same day, one nil-paid share was allotted and issued to the initial subscriber, which was subsequently transferred to Ms. Wong on the same day.
- (b) A&A Brilliance Limited ("A&A Brilliance") was incorporated in the British Virgin Islands (the "BVI") on 4 July 2017 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of United State dollars ("US\$") 1 each. On 5 July 2017, A&A Brilliance allotted 100 fully paid shares to the Company, pursuant to which A&A Brilliance become a direct wholly-owned subsidiary of the Company.
- (c) On 24 July 2017, the Company through A&A Brilliance, acquired one share of Sonne UK (representing its entire share capital) from Ms. Wong and in consideration of the acquisition, the Company allotted and issued 220 fully paid shares to Ms. Wong. Upon completion of the acquisition, Sonne UK became an indirect wholly-owned subsidiary of the Company.
- (d) On 24 July 2017, the Company, through A&A Brilliance, acquired (i) 1,499,999 shares of Solar-Med from Ms. Wong, in consideration of the acquisition, the Company allotted and issued 220 fully paid shares to Ms. Wong and credited as fully paid the nil-paid subscriber share held by Ms. Wong; and (ii) the remaining one issued share of Solar-Med from Ms. Ching Kit Fong ("Ms. Ching"), the mother of Ms. Wong, in consideration of the acquisition and under the direction of Ms. Ching, the Company allotted and issued one fully paid share to Ms. Wong.

Upon completion of the acquisitions, Solar-Med became an indirect wholly-owned subsidiary of the Company.

- (e) On 24 July 2017, the Company through A&A Brilliance, acquired one share of Sonne International (representing its entire share capital) from Ms. Wong and in consideration of the acquisition, the Company allotted and issued 220 fully paid shares to Ms. Wong. The aforesaid one share of Sonne International was held in trust by Mr. Lee Chun Sing for Ms. Wong before the Reorganisation. Upon completion of the acquisition, Sonne International became an indirect wholly-owned subsidiary of the Company.

- (f) On 24 July 2017, the Company through A&A Brilliance, acquired one share of Sonne Technology (representing its entire share capital) from Ms. Wong and in consideration of the acquisition, the Company allotted and issued 220 fully paid shares to Ms. Wong. Upon completion of the acquisition, Sonne Technology became an indirect wholly-owned subsidiary of the Company.
- (g) On 31 July 2017, the Company as issuer, Infinite Crystal Limited (“Infinite Crystal”) as subscriber and Ms. Wong as guarantor entered into a subscription agreement pursuant to which Infinite Crystal agreed to subscribe for 64 fully paid shares of the Company at consideration of HK\$7,632,000. Infinite Crystal fully settled the consideration of HK\$7,632,000 on 31 July 2017 and the Company allotted and issued 64 fully paid shares to Infinite Crystal on 1 August 2017. Infinite Crystal is a company incorporated in the BVI and is owned as to approximately 61.11% by Mr. Chiu Man Wai (“Mr. Chiu”), non-executive director of the Company and as to approximately 38.89% by independent third parties.
- (h) On 1 August 2017, the Company as issuer, Akatsuki Corp. (“Akatsuki”) as subscriber and Ms. Wong as guarantor entered into a subscription agreement pursuant to which Akatsuki agreed to subscribe for 54 fully paid shares of the Company at consideration of HK\$6,500,000. On 1 August 2017, Akatsuki fully settled the consideration of HK\$6,500,000 and the Company allotted and issued 54 fully paid shares to Akatsuki.

Upon completion of the above subscriptions, the Company is owned as to 88.2% by Ms. Wong, 6.4% by Infinite Crystal and 5.4% by Akatsuki.

- (i) On 28 February 2018, B&A Success Limited (“B&A Success”), a company incorporated in the BVI and wholly-owned by Ms. Wong, acquired the issued share capital of the Company held by Ms. Wong, in consideration of which B&A Success allotted and issued 99 fully paid shares to Ms. Wong. Upon completion of the acquisition, the Company was owned as to 88.2% by B&A Success, 6.4% by Infinite Crystal and 5.4% by Akatsuki.

Upon completion of the steps (a) to (h) of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

Pursuant to the Reorganisation as described above, the Company through its wholly-owned subsidiary, A&A Brilliance acquired the entire issued capital of the Operating Companies from Ms. Wong by way of issuing its shares to B&A Success which is owned by Ms. Wong (the “Share Swap”).

In effect, the Operating Companies are restructured so that A&A Brilliance becomes the immediate holding company of the Operating Companies after the Reorganisation. As the Operating Companies were previously under the common control of Ms. Wong, the combination of the Operating Companies to form a new reporting entity under a new parent entity is accounted for as business combination under common control using the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA.

As to the Share Swap, it does not result in any change of economic substance and does not form a business combination. Accordingly, the Share Swap is accounted for as a continuation of A&A Brilliance and the Operating Companies and the financial information of the Company was combined with that of A&A Brilliance and the Operating Companies using the predecessor carrying amounts as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods by adopting merger basis of accounting.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods are prepared as if the current group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation, whichever was shorter. The consolidated statements of financial position of the Group as at 31 March 2016 and 2017 and 31 October 2017 present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates.

At 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	
A&A Brilliance Limited (A&A Brilliance) <i>(note (a))</i>	The BVI/Limited liability company/ 4 July 2017	Hong Kong	100 shares of US\$1 each	100%	–	Investment holding
Solar-Med Limited (Solar-Med) <i>(note (b))</i>	Hong Kong/Limited liability company/ 15 October 1997	Hong Kong	1,500,000 ordinary shares of HK\$1,500,000	–	100%	Sourcing of medical devices and provision of after-sale services
Sonne International Company Limited (Sonne International) <i>(note (b))</i>	Hong Kong/Limited liability company/ 11 March 2009	Hong Kong	1 ordinary share of HK\$1	–	100%	Sourcing of medical devices and development of healthcare products
Sonne Technology International Limited (Sonne Technology) <i>(note (c))</i>	Hong Kong/Limited liability company/ 4 July 2016	Hong Kong	1 ordinary share of HK\$1	–	100%	Trademark holding
Sonne (UK) Limited (Sonne UK) <i>(note (d))</i>	United Kingdom/ Limited liability company/ 26 August 2016	United Kingdom	1 ordinary share of 1 Great British Pound	–	100%	Trademark holding

All the companies comprising the Group have adopted 31 March as their financial year end date.

Notes:

- (a) No audited financial statements of A&A Brilliance have been prepared since its date of incorporation since it is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) The statutory financial statements of Solar-Med and Sonne International for the years ended 31 March 2016 and 2017 were audited by BDO Limited, certified public accountants, which were prepared in accordance with HKFRSs issued by HKICPA.
- (c) The statutory financial statements of Sonne Technology for the period from 4 July 2016 (date of incorporation) to 31 March 2017 were audited by BDO Limited, certified public accountants, which were prepared in accordance with HKFRSs issued by HKICPA.
- (d) No audited financial statements have been prepared for Sonne UK since its date of incorporation as it is exempted from any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. In addition, the Historical Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, the Group has early adopted all new or revised HKFRSs effective for annual period beginning on 1 April 2017 consistently 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 adopted early by the Group. Details of which are set out in note 4.

The Historical Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

The Historical Financial Information is expressed in HK\$, which is same as the functional currency of the Company and its major 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 judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

(b) Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated 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.

Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(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 costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures, moulds and equipment	20%
Leasehold improvements	Over the shorter of the remaining lease terms or 20%
Motor vehicles	30%

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 3(m)).

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) Other asset

Other asset represents club membership held for long-term purposes and are stated at cost less accumulated impairment losses (note 3(m)).

(e) 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 and is 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 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.

(f) 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, in the case of financial assets not at fair value through profit or loss, 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 (trade debtors) and also incorporated other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

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.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt instruments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

The Group classifies its financial liabilities as financial liabilities at amortised cost, which include trade and other payables and amounts due to directors, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is accounted for in accordance with the accounting policy set out in note 3(n).

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 fair value through profit or loss 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.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(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) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- (ii) Service income is recognised when the relevant services are provided.
- (iii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (iv) Commission income is recognised when the relevant services are provided.
- (v) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

(i) 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.

(j) 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 disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the 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 goodwill and 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 the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

(k) Foreign currency

Transactions entered into by 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 the 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 re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation 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.

(l) Employee benefits**(i) Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when 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 absence such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income. Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group's obligations under these plans are limited to the fixed percentage contribution payable.

(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.

(m) Impairment of non-financial assets

Property, plant and equipment and other asset are subject to impairment testing. Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(n) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(p) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(q) 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.

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(s) 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 part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new and revised HKFRSs 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 1	First time adoption of HKFRS ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contract ³
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

- 3 Effective for annual periods beginning on or after 1 January 2021
- 4 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.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that are expected to have a material impact on the Group's financial statements are set out below.

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 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 fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model (i.e. expected credit loss model) for all financial assets not measured at fair value through profit or loss 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 fair value through profit or loss, 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9. However, the Group's available-for-sale financial assets will be measured at fair value through profit or loss starting from the annual period beginning on 1 April 2018. Also, the fair value gain of HK\$205,000 will be transferred from the available-for-sale financial assets revaluation reserve to retained profits as at 1 April 2018. Since both of the available-for-sale financial assets under HKAS 39 and the financial assets stated at fair value through profit or loss under HKFRS 9 are measured at fair value, the application of HKFRS 9 will not result in the change in the carrying amount of the financial assets in the consolidated financial position of the Group.

In general, the expected credit loss model may result in early recognition of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, the directors of the Company do not anticipate that the application of HKFRS 9 will have a significant impact on financial results of the Group.

HKFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of HKFRS 9.

HKFRS 15 *Revenue from Contracts with Customers and related amendments*

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 steps 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

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group performed a preliminary assessment of HKFRS 15 and expects to adopt HKFRS 15 on 1 April 2018. The impact to the Group includes more comprehensive disclosure as required by the new standard. However, the Group does not expect that the adoption of HKFRS 15 will have a significant impact on the financial statements in the period of initial application.

HKFRS 16 Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, plant and equipment*, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

As set out in note 27, total operating lease commitment of the Group in respect of leased premises and warehouses as at 31 October 2017 amounted to HK\$2,674,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Except for the above, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of non-financial assets

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgments would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

(ii) Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgment and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory aging analysis at the end of the reporting period to identify slow-moving inventories that are no longer suitable for consumption and saleable. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

(iii) 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 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 or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

6. SEGMENT INFORMATION**(a) Operating segment information**

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. directors of the Company who are used to make strategic decisions.

During the Relevant Periods, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in supplying medical devices and providing medical device solutions including marketing trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance. Therefore the Group has only one operating segment that qualifies as reportable segment under HKFRS 8 *Operating Segment*.

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong. All of the Group's revenue are derived from and most of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

(c) 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		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Customer I	7,982	N/A*	N/A*	N/A*
Customer II	7,269	N/A*	N/A*	N/A*
Customer III	N/A*	9,077	7,205	3,244

* The corresponding revenue does not contribute 10% or more of the Group's revenue in the respective year/period.

7. REVENUE

The Group is principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance. Revenue of the Group comprises the following:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Sales of medical devices and products				
Medical consumables	27,183	33,578	18,192	22,420
Medical equipment	19,725	13,843	9,103	6,613
Medical instruments	3,825	2,454	907	876
Others	–	74	4	–
	50,733	49,949	28,206	29,909
Rendering of maintenance services	2,143	1,650	704	963
Rental income from leasing medical devices	–	58	32	86
	52,876	51,657	28,942	30,958

8. OTHER INCOME

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Commission income	115	5	4	–
Government grants	–	67	34	50
Sundry income	1	2	2	–
	<u>116</u>	<u>74</u>	<u>40</u>	<u>50</u>

9. FINANCE COSTS

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Interest on bank borrowings	<u>7</u>	<u>–</u>	<u>–</u>	<u>–</u>

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Auditor's remuneration	230	230	134	734
Provision for impairment of trade receivables	1,418	–	–	–
Cost of inventories recognised as expense [#]				
– Carrying amount of inventories consumed	22,591	23,446	13,892	13,346
– Allowance for inventories	368	380	333	369
– Write-off of inventories	161	220	157	158
	<u>23,120</u>	<u>24,046</u>	<u>14,382</u>	<u>13,873</u>

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Depreciation of property, plant and equipment*	482	453	292	160
Employee costs (including directors' emoluments (note 12(a))				
– Salaries, allowances and other benefits	5,752	6,675	3,740	3,401
– Contributions to defined contribution retirement plan (note)	221	257	143	151
	<u>5,973</u>	<u>6,932</u>	<u>3,883</u>	<u>3,552</u>
Exchange gains, net	(325)	(125)	(36)	(109)
Operating lease charges in respect of buildings	1,816	2,105	1,224	1,396
Research and development expenditure ^Δ	478	541	282	276
Write-off of deposits received	(13)	–	–	–
Write-off of trade receivables	4	–	–	–
	<u>4</u>	<u>–</u>	<u>–</u>	<u>–</u>

Included in cost of revenue

* Included in administrative and other operating expenses

Δ Included in research and development expenditure are staff costs amounted to approximately HK\$417,000, HK\$478,000, HK\$243,000 and HK\$253,000 for the two years ended 31 March 2017 and the seven months ended 31 October 2016 and 2017 respectively, which have been included in the employee costs above.

Note: In respect of the Group's contribution to defined contribution retirement plan, no contribution is available for reducing the Group's existing level of contribution.

11. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of comprehensive income represents:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Current tax – Hong Kong Profits Tax				
– Charge for the year/period	2,603	2,432	1,235	1,390
– Under-provision in respect of prior years	–	–	–	26
	<u>2,603</u>	<u>2,432</u>	<u>1,235</u>	<u>1,416</u>
Deferred tax (<i>note 18</i>)	(52)	(44)	(29)	229
	<u>2,551</u>	<u>2,388</u>	<u>1,206</u>	<u>1,645</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, it is not subject to income tax in the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

The income tax expense for the year/period can be reconciled to the profit before income tax in the consolidated statements of comprehensive income as follows:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	<u>15,530</u>	<u>14,190</u>	<u>7,024</u>	<u>2,024</u>
Tax calculated at Hong Kong Profits				
Tax rate of 16.5%	2,562	2,342	1,159	334
Tax effect of expenses not deductible for tax purposes	19	11	3	1,218
Tax effect of tax losses not recognised	–	55	62	66
Tax effect of other temporary differences not recognised	(6)	–	2	1
Under-provision in respect of prior years	–	–	–	26
Others	(24)	(20)	(20)	–
Income tax expense	<u>2,551</u>	<u>2,388</u>	<u>1,206</u>	<u>1,645</u>

12. DIRECTORS' EMOLUMENTS, FIVE 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	Salaries, allowances and other benefits	Discretionary bonuses	Pension scheme contribution	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2016					
<i>Executive directors</i>					
Ms. Wong	–	615	–	2	617
Mr. Chan Chun Sing	–	98	–	3	101
<i>Non-executive directors</i>					
Dr. Miu Yin Shun Andrew ("Dr. Miu")	–	–	–	–	–
Mr. Chiu	–	–	–	–	–
	–	713	–	5	718
Year ended 31 March 2017					
<i>Executive directors</i>					
Ms. Wong	–	615	–	2	617
Mr. Chan Chun Sing	–	767	65	18	850
<i>Non-executive directors</i>					
Dr. Miu	–	–	–	–	–
Mr. Chiu	–	–	–	–	–
	–	1,382	65	20	1,467
Seven months ended 31 October 2016 (Unaudited)					
<i>Executive directors</i>					
Ms. Wong	–	370	–	–	370
Mr. Chan Chun Sing	–	448	38	11	497
<i>Non-executive directors</i>					
Dr. Miu	–	–	–	–	–
Mr. Chiu	–	–	–	–	–
	–	818	38	11	867
Seven months ended 31 October 2017					
<i>Executive directors</i>					
Ms. Wong	–	22	–	–	22
Mr. Chan Chun Sing	–	455	–	11	466
<i>Non-executive directors</i>					
Dr. Miu	–	–	–	–	–
Mr. Chiu	–	–	–	–	–
	–	477	–	11	488

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

(b) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for each of the years ended 31 March 2016 and 2017 and the seven months ended 31 October 2016 (unaudited) and 2017 included 1, 2, 2 and 2 directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4, 3, 3 and 3 individuals for each of the years ended 31 March 2016 and 2017 and the seven months ended 31 October 2016 (unaudited) and 2017 respectively are as follows:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Salaries, allowances and other benefits	1,574	1,305	722	694
Discretionary bonuses	230	173	101	7
Contributions to defined contribution retirement plan	66	105	31	30
	<u>1,870</u>	<u>1,583</u>	<u>854</u>	<u>731</u>

The emoluments of the above non-director highest paid individuals were within the following bands:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	Number of individuals	Number of individuals	Number of individuals (Unaudited)	Number of individuals
Nil to HK\$500,000	2	1	3	3
HK\$500,001 to HK\$1,000,000	2	2	–	–
	<u>2</u>	<u>2</u>	<u>–</u>	<u>–</u>

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or the highest paid individuals 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.

(d) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	Number of individuals	Number of individuals	Number of individuals (Unaudited)	Number of individuals
Nil to HK\$500,000	2	2	4	4
HK\$500,001 to HK\$1,000,000	2	2	–	–
	<u>2</u>	<u>2</u>	<u>–</u>	<u>–</u>

13. DIVIDENDS

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Interim dividends	16,000	12,460	–	2,840
Special dividend	–	–	–	11,200
	<u>16,000</u>	<u>12,460</u>	<u>–</u>	<u>14,040</u>

No dividend was paid or declared by the Company since its incorporation.

For the purpose of the Historical Financial Information, the interim dividends for each of the years ended 31 March 2016 and 2017 and the seven months ended 31 October 2017 amounting to HK\$16,000,000, HK\$12,460,000 and HK\$2,840,000 respectively represented interim dividends declared by a subsidiary of the Company to its then shareholders.

On 17 July 2017, a special dividend of HK\$11,200,000 was declared by a subsidiary of the Company to its then shareholders, and was fully settled by November 2017.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Historical Financial Information.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed above.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures, moulds and equipment	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 April 2015	568	1,884	1,339	3,791
Additions	<u>113</u>	<u>–</u>	<u>–</u>	<u>113</u>
At 31 March 2016 and 1 April 2016	681	1,884	1,339	3,904
Additions	<u>43</u>	<u>–</u>	<u>–</u>	<u>43</u>
As at 31 March 2017 and 1 April 2017	724	1,884	1,339	3,947
Additions	445	898	–	1,343
Written off	<u>–</u>	<u>(1,884)</u>	<u>–</u>	<u>(1,884)</u>
At 31 October 2017	<u>1,169</u>	<u>898</u>	<u>1,339</u>	<u>3,406</u>

	Furniture, fixtures, moulds and equipment	Leasehold improvements	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accumulated depreciation				
At 1 April 2015	303	1,884	518	2,705
Depreciation	80	–	402	482
At 31 March 2016 and 1 April 2016	383	1,884	920	3,187
Depreciation	102	–	351	453
At 31 March 2017 and 1 April 2017	485	1,884	1,271	3,640
Depreciation	67	25	68	160
Written off	–	(1,884)	–	(1,884)
At 31 October 2017	552	25	1,339	1,916
Net carrying amount				
At 31 March 2016	298	–	419	717
At 31 March 2017	239	–	68	307
At 31 October 2017	617	873	–	1,490

16. OTHER ASSET

Other asset represents club membership held by the Group for long-term investment purposes. In the opinion of the directors, club membership worth at least its carrying value at the end of each of the Relevant Periods.

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment:			
– Club debenture	545	770	750

The Group does not intend to dispose of the club debenture in the near future.

18. DEFERRED TAX ASSETS/LIABILITIES

Details of the deferred tax assets/liabilities recognised and movements during the Relevant Periods are as follows:

	Depreciation in excess of related depreciation allowance/ (Accelerated tax depreciation)
	<i>HK\$'000</i>
At 1 April 2015	84
Credit to profit or loss for the year (<i>note 11</i>)	52
At 31 March 2016 and 1 April 2016	136
Credit to profit or loss for the year (<i>note 11</i>)	44
At 31 March 2017 and 1 April 2017	180
Charge to profit or loss for the period (<i>note 11</i>)	(229)
At 31 October 2017	(49)

As at 31 March 2016 and 2017 and 31 October 2017, the Group had unused tax losses of nil, HK\$335,000 and HK\$733,000 available for offset against future profits. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future profit streams. These tax losses have no expiry date.

19. INVENTORIES

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	14,706	13,718	13,957

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March		As at 31 October
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,836	7,558	9,127
Less: Provision for impairment	(1,418)	(1,418)	(1,418)
Trade receivables, net (<i>note</i>)	6,418	6,140	7,709
Other receivables	17	11	134
Deposits and prepayments	1,106	1,538	5,120
	7,541	7,689	12,963

Note:

The credit period granted to trade debtors normally ranged from 0 to 30 days.

The movements in the allowance for impairment of trade receivables during the Relevant Periods are as follows:

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
At the beginning of the year/period	–	1,418	1,418
Impairment loss recognised	1,418	–	–
At the end of the year/period	1,418	1,418	1,418

Trade receivables as at 31 March 2016 and 2017 and 31 October 2017 amounting to HK\$1,418,000, HK\$1,418,000 and HK\$1,418,000 respectively were impaired and full provision has been made for the balances.

The ageing analysis of the trade receivables (net), 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 October
	HK\$'000	HK\$'000	2017
0 – 30 days	2,103	3,178	3,092
31 – 60 days	3,566	1,587	2,795
61 – 90 days	364	810	1,100
Over 90 days	385	565	722
	6,418	6,140	7,709

The ageing analysis of the trade receivables (net), based on due date, as of the end of each of the Relevant Periods is as follows:

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
Neither past due nor impaired	2,142	3,283	3,086
Past due but not impaired			
Past due less than 30 days	3,527	1,476	2,796
Past due for 30 or more but less than 60 days	365	815	1,107
Past due for 60 or more but less than 90 days	169	66	554
Past due for 90 days or more	215	500	166
	4,276	2,857	4,623
	6,418	6,140	7,709

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 and have good settlement record with the Group. 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.

21. AMOUNTS DUE FROM/TO DIRECTORS

The amounts due from/(to) directors are as follows:

Name	As at	As at	Maximum outstanding balance during the year
	1 April 2015	31 March 2016	
	HK\$'000	HK\$'000	HK\$'000
Ms. Wong	12,262	(247)	13,618
Dr. Miu	(80)	(80)	N/A

Name	As at	As at	Maximum outstanding balance during the year
	1 April 2016	31 March 2017	
	HK\$'000	HK\$'000	HK\$'000
Ms. Wong	(247)	169	11,872
Dr. Miu	(80)	(80)	N/A

Name	As at 1 April 2017 <i>HK\$'000</i>	As at 31 October 2017 <i>HK\$'000</i>	Maximum outstanding balance during the period <i>HK\$'000</i>
Ms. Wong	169	–	3,000
Dr. Miu	(80)	–	N/A

Note:

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

22. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company is as follows:

Name of related company	As at 1 April 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	Maximum outstanding balance during the year <i>HK\$'000</i>
Solaire International Limited (“Solaire”)	972	1,022	1,022

Name of related company	As at 1 April 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	Maximum outstanding balance during the year <i>HK\$'000</i>
Solaire	1,022	–	1,272

Name of related company	As at 1 April 2017 <i>HK\$'000</i>	As at 31 October 2017 <i>HK\$'000</i>	Maximum outstanding balance during the period <i>HK\$'000</i>
Solaire	–	–	–

Note:

Ms. Wong, director and beneficial owner of the Company, has equity interest in Solaire.

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand.

23. CASH AND BANK BALANCES

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
Cash at bank and on hand	16,922	9,776	8,894
Pledged bank deposit	–	–	(3,030)
Cash and cash equivalents	<u>16,922</u>	<u>9,776</u>	<u>5,864</u>

Cash at banks earns interest at floating rate based on daily bank deposits rates.

Pledged bank deposit is placed in a bank to secure the banking facilities of the Group (note 29(a)).

24. TRADE AND OTHER PAYABLES

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
Trade payables	9,288	2,987	5,188
Accruals and other payables	925	854	1,222
Deposits received	402	74	10
Dividend payable	–	–	1,200
	<u>10,615</u>	<u>3,915</u>	<u>7,620</u>

The credit period granted by suppliers normally ranged from 0 to 90 days.

The ageing analysis of the 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 October
	HK\$'000	HK\$'000	2017
0 – 30 days	3,221	1,678	632
31 – 60 days	2,846	396	3,399
61 – 90 days	941	454	53
Over 90 days	2,280	459	1,104
	<u>9,288</u>	<u>2,987</u>	<u>5,188</u>

25. SHARE CAPITAL

- (a) The share capital balance as at 31 October 2017 represented the issued share capital of the Company. Details of the movements in the authorised and issued and fully paid share capital of the Company during the period from 5 July 2017 (date of incorporation) to 31 October 2017 are summarised as follows:

Ordinary shares	Par value	Number of shares	Amount
	HK\$		HK\$'000
Authorised:			
Upon incorporation (<i>note (i)</i>)	0.01	38,000,000	380
At 31 October 2017	0.01	38,000,000	380
Issued and fully paid:			
Issue of shares upon incorporation (<i>note (i)</i>)	0.01	1	–
Issue of shares for acquisition of subsidiaries (“Share Swap”) (<i>note (ii)</i>)	0.01	881	–
Issue of shares to Infinite Crystal and Akatsuki (<i>note (iii)</i>)	0.01	118	–
At 31 October 2017	0.01	1,000	–

Notes:

- (i) The Company was incorporated on 5 July 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil-paid subscriber share was allotted and issued to the initial subscriber, which was subsequently transferred to Ms. Wong on the same day.
- (ii) On 24 July 2017, the Company allotted and issued 881 shares in aggregate to Ms. Wong which were credited as fully paid and credited the one nil-paid subscriber share held by Ms. Wong as fully paid as consideration for transferring her equity interests in Solar-Med, Sonne International, Sonne Technology and Sonne UK. On the same date, at the direction of Ms. Ching, the Company allotted and issued one share to Ms. Wong which was credited as fully paid as consideration for transferring Ms. Ching’s equity interest in Solar-Med (Steps (c) to (f) in note 2).
- (iii) On 1 August 2017, the Company allotted and issued 64 shares to Infinite Crystal and 54 shares to Akatsuki respectively at consideration of HK\$14,132,000 in aggregate. Upon completion of the subscriptions, the Company is owned as to 88.2% by Ms. Wong, 6.4% by Infinite Crystal and 5.4% by Akatsuki (Steps (g) and (h) in note 2).
- (b) For the purpose of the Historical Financial Information, the share capital balance in the consolidated statement of financial position as at 31 March 2016 represented the issued share capital of Solar-Med and Sonne International as at that date whereas the share capital balance as at 31 March 2017 represented the issued share capital of Solar-Med, Sonne International, Sonne Technology and Sonne UK as at 31 March 2017.

26. RESERVES

The Group

Details of the movements of the Group’s reserves for the Relevant Periods are presented in the consolidated statements of changes in equity. The nature of the reserves is as follows:

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve arose from combining the financial statements of the companies now comprising the Group following the basis of accounting as described in note 2.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulated net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policy set out in note 3(f).

Retained earnings

Retained earnings is the cumulated net gains and losses recognised in profit or loss.

The Company

The movement of the Company's reserves during the period from 5 July 2017 (date of incorporation) to 31 October 2017 are as follows:

	<u>Share premium</u>	<u>Accumulated loss</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss and total comprehensive income for the period	–	(4,531)	(4,531)
Share Swap (note 25(a)(ii))	17,809	–	17,809
Issue of shares to Infinite Crystal and Akatsuki (note 25(a)(iii))	14,132	–	14,132
	<u>31,941</u>	<u>(4,531)</u>	<u>27,410</u>

The Share Swap represents the difference between the investment cost of A&A Brilliance amounting to approximately HK\$17,809,000 and the shares issued by the Company for the Share Swap at par totalling HK\$9 as described in note 25(a)(ii) which amounted to approximately HK\$17,809,000 credited to the share premium account of the Company.

27. OPERATING LEASE COMMITMENTS**Operating leases – The Group as lessee**

The Group leases office premises and warehouses under operating lease arrangement. The leases run for an initial period of two to three years. Certain tenancy agreements grant the Group and the landlord an option to terminate the tenancy after specified date stipulated in the agreements.

The total future minimum lease payments are due as follows:

	<u>As at 31 March</u>		<u>As at 31 October</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,409	498	1,050
Later than one year and not more than two years	155	–	1,624
	<u>1,564</u>	<u>498</u>	<u>2,674</u>

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

- (a) During the year ended 31 March 2016 and 2017 and the seven months ended 31 October 2017, a subsidiary of the Company declared interim dividends to its then shareholders of HK\$16,000,000, HK\$12,460,000 and HK\$2,840,000 respectively (note 13). Such interim dividends were settled by crediting the current account with a director, who is the then shareholder of the subsidiary.

During the year ended 31 March 2017, an amount due to a related company amounting to HK\$1,272,000 was settled by crediting the current account with a director.

- (b) **Reconciliation of liabilities arising from financing activities:**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to directors
	<i>HK\$'000</i>
At 1 April 2015	80
Changes from financing cash flows:	
Increase in amounts due to directors	247
At 31 March 2016 and 1 April 2016	327
Changes from financing cash flows:	
Decrease in amounts due to directors	(247)
At 31 March 2017 and 1 April 2017	80
Changes from financing cash flows:	
Decrease in amounts due to directors	(80)
At 31 October 2017	–
Seven months ended 31 October 2016 (Unaudited)	
At 1 April 2016	327
Changes from financing cash flows:	
Decrease in amounts due to directors	(247)
At 31 October 2016	80

29. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 21 and 22 to the Historical Financial Information regarding the amounts due from or due to the related parties, the Group had the following significant transactions with its related parties:

- (a) A bank has granted banking facilities to the Group, Ms. Wong and Dr. Miu during the Relevant Periods (the "Shared Facilities"). The Shared Facilities are secured by certain properties of Ms. Wong and Dr. Miu and also guaranteed by Ms. Wong. Ms. Wong is a director and beneficial owner of the Company whereas Dr. Miu is a non-executive director of the Company and the spouse of Ms. Wong.

The Group is jointly and severally liable with Ms. Wong and Dr. Miu for all sums payable or owing to the bank under the Shared Facilities (note 30).

In September 2017, the Shared Facilities were terminated. The separate facilities have been granted to the Group (the "New Facilities") immediately after the termination. The New Facilities are secured by a bank deposit of the Group of a sum of HK\$3,030,000 or its 110% equivalent amount in any other currencies approved by the bank.

- (b) The Group provided guarantee to a bank in respect of banking facilities granted to Solaire (note 30). Ms. Wong is the sole shareholder and director of Solaire. The corporate guarantee provided by the Group in respect of the banking facilities granted to Solaire was released in October 2017.

(c) Compensation of key management personnel

The remuneration paid and payable to the directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Salaries, allowances and other benefits	2,517	3,253	1,855	1,361
Contributions to defined contribution retirement plan	68	149	51	51
	<u>2,585</u>	<u>3,402</u>	<u>1,906</u>	<u>1,412</u>

30. FINANCIAL GUARANTEE CONTRACTS

The Group provided corporate guarantee of unlimited amount in respect of banking facilities granted to Solaire, a related company of the Company (note 29(b)). As at 31 March 2016 and 2017, banking facilities subject to the guarantee given to the bank by the Group were utilised by Solaire to the extent of HK\$7,509,000 and HK\$6,712,000 respectively. No liabilities are recognised for the guarantee given to the bank in respect of banking facilities utilised by Solaire as at 31 March 2016 and 2017. In October 2017, the corporate guarantee provided by the Group in respect of the banking facilities granted to Solaire was released.

In addition, the Group is jointly and severally liable with Ms. Wong and Dr. Miu for all sums payable or owing to the bank under the Shared Facilities. As disclosed in note 29(a), the Shared Facilities were terminated in September 2017.

The fair values of these financial guarantee contracts were insignificant at initial recognition.

31. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY

	As at 31 October 2017
	HK\$'000
Investment cost	<u>17,809</u>

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

Details of the Company's subsidiaries are disclosed in note 2.

32. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so that it can provide returns for 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.

Management regards total equity in the consolidated statements of financial position as capital for capital management purpose. 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 debt.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and financial liabilities:

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
			HK\$'000
Financial assets			
<i>Available-for-sale financial assets</i>	545	770	750
<i>Loans and receivables</i>			
– Trade and other receivables and deposits	6,858	6,609	8,814
– Amount due from a director	–	169	–
– Amount due from a related company	1,022	–	–
– Cash and bank balances	16,922	9,776	8,894
	<u>25,347</u>	<u>17,324</u>	<u>18,458</u>
Financial liabilities			
<i>At amortised cost</i>			
– Trade and other payables	10,213	3,841	7,610
– Amounts due to directors	327	80	–
	<u>10,540</u>	<u>3,921</u>	<u>7,610</u>

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables and deposits, cash and bank balances, trade and other payables and balances with directors and a related company.

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 Group's club debenture disclosed in note 17 is measured at fair value at the end of each of the Relevant Periods.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2016				
Available-for-sale financial assets:				
– Club debenture (<i>note</i>)	–	545	–	545
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2017				
Available-for-sale financial assets:				
– Club debenture (<i>note</i>)	–	770	–	770
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 October 2017				
Available-for-sale financial assets:				
– Club debenture (<i>note</i>)	–	750	–	750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There were no transfers between levels of the fair value hierarchy during the Relevant Periods.

Note:

The fair values of the club debenture as at 31 March 2016 and 2017 and 31 October 2017 have been estimated with reference to the valuations carried out by Asset Appraisal Limited, an independent professional valuer using sales comparison approach. In the sales comparison approach, value is estimated for the assets appraised through analysis of market price information of comparable club debenture, which is mainly based on prices quoted in the second hand market. There were no changes in valuation technique during the Relevant Periods.

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise credit risk, market risk (including interest rate risk and foreign currency 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 key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Company identify and evaluate risks regularly and 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 a director and a related company 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, including amounts due from a director and a related company, it is the Group's policy to deal only 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, the credit risk is limited because deposits are placed with reputable banks.

In respect of the guarantees provided by the Group to banks in connection with the banking facilities granted to certain related parties (note 30), if the borrower defaults on the payment of the bank loan during the period of guarantee, the bank may demand the Group to repay the outstanding loan and any interest thereon. The Group's maximum exposure to credit risk in respect of these guarantees as at 31 March 2016 and 2017 and 31 October 2017 are HK\$20,755,000, HK\$19,246,000 and nil respectively. In the opinion of the directors, the Group's credit risk in respect of such guarantees is remote because the related loans are secured by properties with current market prices higher than the guaranteed amounts.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(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 deposits.

The Group's bank balances expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The functional currencies of the Company and its subsidiaries are mainly HK\$. The Group operates in Hong Kong with certain of its business transactions being settled in HK\$, US\$ and EURO ("EUR"). The Group is thus exposed to currency risk arising from fluctuation in exchange rates of foreign currencies, primarily US\$ and EUR against the functional currencies of the relevant group entities.

Management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

The carrying amounts of the Group's major financial assets and financial liabilities denominated in a currency other than the functional currencies of the group entities in net position as at 31 March 2016 and 2017 and 31 October 2017 are as follows:

	As at 31 March		As at
	2016	2017	31 October
	HK\$'000	HK\$'000	2017
			HK\$'000
Net monetary assets/(liabilities)			
EUR	928	596	2,275
US\$	(8,559)	(2,151)	(4,073)
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

As HK\$ is pegged to US\$, exposure in respect of US\$ is considered insignificant. The following table illustrates the approximate change in the Group's profit for the year and retained earnings in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, i.e. EUR at the end of each of the Relevant Periods.

	Increase in profit for the year/period and retained earnings			
	Year ended 31 March		Seven months ended 31 October	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
EUR appreciated by 5%	39	25	25	95

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group entities would have the same magnitude on profit and retained earnings but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the Relevant Periods and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the Relevant Periods does not reflect the exposure during the respective periods.

(d) 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, amounts due to directors 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 since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities, 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.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2016			
Trade and other payables	10,213	10,213	10,213
Amounts due to directors	327	327	327
	<u>10,540</u>	<u>10,540</u>	<u>10,540</u>

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2017			
Trade and other payables	3,841	3,841	3,841
Amount due to a director	80	80	80
	<u>3,921</u>	<u>3,921</u>	<u>3,921</u>
At 31 October 2017			
Trade and other payables	<u>7,610</u>	<u>7,610</u>	<u>7,610</u>

The contractual financial guarantees provided by the Group are disclosed in note 30. As assessed by the directors, it is not probable that the banks would claim the Group for losses in respect of the guarantee contracts due to securities in place for the bank loans of the related parties. Accordingly, no provision for the Group's obligation under the guarantees has been made. The contractual maturity of such financial guarantees was "on demand" as at 31 March 2016 and 2017. In October 2017, the financial guarantee provided by the Group had been released.

35. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 October 2017:

- (a) Pursuant to the resolution passed by the shareholders of the Company on 1 March 2018, the authorised share capital of the Company has been increased from HK\$380,000 to HK\$80,000,000 by the creation of an additional 7,962,000,000 shares of HK\$0.01 each;
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 1 March 2018, and subject to the same conditions as stated in the section headed "Structure and conditions of the Share Offer – Conditions of the Share Offer" included in the Prospectus of the Company, the following have been approved:
 - (i) The offer of 168,000,000 new shares of the Company at offer price of not more than HK\$0.35 per offer share and not less than HK\$0.30 per offer share (the "Share Offer");
 - (ii) Conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Share Offer, the issue of a total of 631,999,000 shares at par by the Company to the existing shareholders, being B&A Success, Infinite Crystal and Akatsuki by way of capitalising an amount of approximately HK\$6,319,990 from the share premium account of the Company ("Capitalisation Issue"); and
 - (iii) The principal terms of the share option scheme as set out in the paragraph headed "Statutory and general information – D. Other information – 1. Share Option Scheme" in Appendix IV to the Prospectus.

Save as aforesaid, there were no other significant events took place subsequent to 31 October 2017.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 October 2017.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and 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 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 consolidated net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 October 2017. Because of its hypothetical nature, this unaudited pro forma statement of adjusted consolidated 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 October 2017 or at any future dates.

	Consolidated net tangible assets of the Group as at 31 October 2017	Estimated net proceeds from the proposed Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<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\$0.30 per Offer Share	<u>28,993</u>	<u>36,529</u>	<u>65,522</u>	<u>0.08</u>
Based on Offer Price of HK\$0.35 per Offer Share	<u>28,993</u>	<u>44,341</u>	<u>73,334</u>	<u>0.09</u>

Notes:

1. The consolidated net tangible assets of the Group as at 31 October 2017 are based on audited consolidated net assets of the Group as at 31 October 2017 of HK\$31,683,000 with the adjustment of other assets of HK\$2,690,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 168,000,000 Offer Shares and the Offer Price of HK\$0.30 per Offer Share (being the low-end of the indicative Offer Price range between HK\$0.30 to HK\$0.35 per Offer Share) and HK\$0.35 per Offer Share (being the high-end of the indicative Offer Price range between HK\$0.30 to HK\$0.35 per Offer Share), respectively after deduction of the underwriting fees and related expenses payable by the Group which has not been reflected in consolidated net tangible assets of the Group as at 31 October 2017. No account has been taken of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 October 2017.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of our Group's unaudited pro forma financial information prepared for the purpose of inclusion in this prospectus.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Grand Brilliance Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grand Brilliance Group Holdings Limited (the “Company”) and its subsidiaries (together 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 consolidated net tangible assets of the Group as at 31 October 2017 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 19 March 2018 (the “Prospectus”) in connection with the proposed initial public offerings of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (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 described on II-1 to II-2 of Appendix II of 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 consolidated financial position as at 31 October 2017 as if the Share Offer had taken place on 31 October 2017. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s financial information for the seven months ended 31 October 2017, on which an accountants’ report set out in Appendix I of 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 GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“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 Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to 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 at 31 October 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' judgment, 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 Company; 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 Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

19 March 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 July, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 1 March 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or

other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the

treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 July 2017. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Units 2901-2903 and 2905, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 7 August 2017. Ms. Wong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and our constitution, which comprises the Memorandum and Articles. A summary of various provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The following sets out the changes in the authorised and issued share capital of our Company:

- (a) Our Company was incorporated in the Cayman Islands on 5 July 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.
- (b) On the date of incorporation of our Company, one nil-paid Share was allotted and issued to the initial subscriber, which was transferred to Ms. Wong on the same date.
- (c) On 24 July 2017, our Company, through A&A Brilliance, acquired one share in Sonne UK (representing its entire issued share capital) from Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong.
- (d) On 24 July 2017, our Company, through A&A Brilliance, acquired:
 - (i) 1,499,999 shares in Solar-Med from Ms. Wong, in consideration of which our Company credited as fully paid the one nil-paid subscriber Share held by Ms. Wong and allotted and issued 220 fully paid Shares to Ms. Wong; and
 - (ii) one share in Solar-Med from Ms. Ching, in consideration of which our Company allotted and issued one fully paid Share to Ms. Wong.

- (e) On 24 July 2017, our Company, through A&A Brilliance, acquired one share in Sonne International (representing its entire issued share capital) from Mr. Lee, who held the share in trust for Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong.
- (f) On 24 July 2017, our Company, through A&A Brilliance, acquired one share in Sonne Technology (representing its entire issued share capital) from Ms. Wong, in consideration of which our Company allotted and issued 220 fully paid Shares to Ms. Wong.
- (g) Pursuant to the written resolutions of our Shareholders passed on 1 March, the authorised share capital of our Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of an additional 7,962,000,000 Shares.
- (h) A total of 168,000,000 new Shares will be initially offered under the Share Offer.
- (i) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid, and 7,200,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (j) Save as aforesaid and as mentioned in the paragraph headed “3. Written resolutions of our Shareholders passed on 1 March 2018” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 1 March 2018

Pursuant to the written resolutions of our Shareholders passed on 1 March 2018, among other things:

- (a) the authorised share capital was increased from HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each, to HK\$80,000,000, divided into 8,000,000,000 Shares of HK\$0.01 each, by the creation of additional 7,962,000,000 Shares;
- (b) our Company conditionally approved and adopted the Memorandum and Articles with effect from the Listing Date;

(c) conditional on the conditions as set out in the section headed “Structure and conditions of the Share Offer” of this prospectus:

- (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer, and such number may be required to be allotted and issued of upon the exercise of the Offer Size Adjustment Option;
- (ii) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors or committee of the Board were authorised to capitalise an amount of HK\$6,319,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 631,999,000 Shares for allotment and issue to the following existing Shareholders in the following manner:

<u>Shareholder</u>	<u>Number of Shares to be allotted and issued</u>
B&A Success	557,423,118
Infinite Crystal	40,447,936
Akatsuki	34,127,946
	<u>631,999,000</u>

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed “D. Other information – 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
- (iv) a general unconditional mandate (the “**Issue Mandate**”) was given to our Directors to exercise all the powers of our Company 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 by way of rights issues or upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by our

Shareholders in general meeting, the aggregate number of our Shares not exceeding the aggregate of (1) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme); and (2) the aggregate number of Shares repurchased under the Repurchase Mandate as mentioned in paragraph (v) below. The Issue Mandate will continue in force until:

- (1) the conclusion of our Company's next annual general meeting;
- (2) the expiration of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting;
or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first;

- (v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), the Repurchase Mandate will continue in force until:

- (1) the conclusion of our Company's next annual general meeting;
- (2) the expiration of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting;
or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first; and

- (vi) the Issue Mandate above be extended by the addition of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme).

4. The Reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Share Offer and our Company became the holding company of our Group. For further details of the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure" of this prospectus.

5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are set out under the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed "History, Reorganisation and corporate structure" of this prospectus, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

(a) Provisions of the GEM Listing Rules

The following paragraphs include information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities:

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting either by way of general mandate or by specific approval of a particular transaction. Our Company will be listed solely on GEM.

Pursuant to the written resolutions of our Shareholders passed on 1 March 2018, the Repurchase Mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other approved stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Option that may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of our Company's next annual general meeting, or the expiration of the period within which our Company is required by the Articles or any other applicable laws of the Cayman Islands to hold its next annual general meeting; or when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(ii) Source of funds

Repurchases must be financed out of funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and any applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the laws of the Cayman Islands, any repurchase of our Shares may be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law and if so authorised by the Articles, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law and if so authorised by the Articles, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represents up to a maximum of 10% of the aggregate number of the shares in issue of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior

to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (2) the deadline for publication of an announcement of a listed company's results for any year, half-year or quarterly period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its own shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly

breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly purchase its Shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his/her/its Shares to our Company on GEM.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

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 Memorandum and Articles and the applicable laws of the Cayman Islands. Our Company has not repurchased any Share in the previous six months.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Saved as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years preceding the date of this prospectus which are or may be material:






- (a) an instrument of transfer and bought and sold notes dated 24 July 2017 entered into between A&A Brilliance and Ms. Wong for the transfer of 1,499,999 shares in Solar-Med from Ms. Wong to A&A Brilliance, as supplemented by an agreement dated 24 July 2017 between the same parties confirming that the consideration for the aforesaid share transfer was the allotment and issue of 220 fully paid Shares to Ms. Wong and the crediting of one nil-paid subscriber Share held by Ms. Wong as fully paid;
- (b) an instrument of transfer and bought and sold notes dated 24 July 2017 entered into between A&A Brilliance and Ms. Ching for the transfer of one share in Solar-Med from Ms. Ching to A&A Brilliance, as supplemented by an agreement dated 24 July 2017 between the same parties confirming that the consideration for the aforesaid share transfer was the allotment and issue of one fully paid Share to Ms. Wong;
- (c) an instrument of transfer and bought and sold notes dated 24 July 2017 entered into between A&A Brilliance and Ms. Wong for the transfer of one share in Sonne Technology from Ms. Wong to A&A Brilliance, as supplemented by an agreement dated 24 July 2017 between the same parties confirming that the consideration for the aforesaid share transfer was the allotment and issue of 220 fully paid Shares to Ms. Wong;

- (d) an instrument of transfer and bought and sold notes dated 24 July 2017 entered into between A&A Brilliance and Mr. Lee for the transfer of one share in Sonne International from Mr. Lee to A&A Brilliance, as supplemented by an agreement dated 24 July 2017 between the same parties confirming that the consideration for the aforesaid share transfer was the allotment and issue of 220 fully paid Shares to Ms. Wong;
- (e) a stock transfer form dated 24 July 2017 signed by Ms. Wong for the transfer of one share in Sonne UK from Ms. Wong to A&A Brilliance at a consideration of 220 fully paid Shares;
- (f) the Infinite Crystal Subscription Agreement;
- (g) the Akatsuki Subscription Agreement;
- (h) the Deed of Indemnity;
- (i) the Deed of Non-competition; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of Registration	Class	Registered owner	Registration number	Registration date	Expiry date
	Hong Kong	10, 44	Sonne International	30320839	17 November 2014	16 November 2024
 Sagesse Chers	Hong Kong	25	Sonne International	303274056	20 January 2015	19 January 2025
	Hong Kong	9, 10, 42	Sonne International	303491730	31 July 2015	30 July 2025
	Hong Kong	22, 23, 24, 25	Sonne Technology	303875581	18 August 2016	17 August 2026
	European Union	22, 23, 24, 25	Sonne UK	16480972	3 July 2017	2 July 2027

(b) Patents

As at the Latest Practicable Date, our Group had registered the following patents:

<u>Patent</u>	<u>Place of registration</u>	<u>Type</u>	<u>Patent holder</u>	<u>Patent number</u>	<u>Registration date</u>	<u>Expiry date</u>
Tag and hybrid security system with the tag	Hong Kong	Short-term Patent	Sonne International	HK1204853	4 December 2015	14 August 2019
Tag and hybrid security system with the tag	Hong Kong	Short-term Patent	Sonne International	HK1204845	4 December 2015	14 August 2020
一種保健輔助功能哺乳胸圍 (A health care function nursing bra*)	PRC	Utility Model	Sonne Technology	201720793292.8	23 January 2018	2 July 2027
Tag and hybrid security system with the tag	U.S.	Utility	Sonne International	US 9,881,472 B2	30 January 2018	15 August 2036

The English name of the PRC patent mentioned above and marked with “*” is a translation from its Chinese name and is for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.

As at the Latest Practicable Date, our Group had applied for the registration of the following patent:

<u>Patent</u>	<u>Place of application</u>	<u>Applicant/assignee</u>	<u>Application number</u>	<u>Date of application</u>
Tag and hybrid security system with the tag	European Union	Sonne International	16182367.9-1806	2 August 2016

(c) Design

<u>Articles</u>	<u>Registration number</u>	<u>Locarno classification number</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry date</u>
Housing for a security tag	1502027.6	Cl. 10-05	Sonne International	11 September 2015	11 September 2019

(d) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name which is material to our business:

<u>Domain name</u>	<u>Name of registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
www.solar-med.com <i>(Note)</i>	Solar-Med	24 June 2003	24 June 2026
www.grandbrilliancegroup.com <i>(Note)</i>	Our Company	2 March 2018	2 March 2021

Note: Information contained in the above website does not form part of this prospectus.

Save as aforesaid, there are no other trade or service marks, patents, copyright, other intellectual or industrial property rights which, in the opinion of our Directors, are material to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests – interests and short positions of our Directors and the chief executives of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations*

So far as our Directors are aware, immediately following completion of Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executives of our Company in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once our Shares are listed are as follows:

Long position in Shares/shares in our associated companies

Name of Directors	Company/name of associated company	Nature of Interest	Number of Shares held	Approximate percentage of shareholding in our Company
Ms. Wong	Our Company	Interest in a controlled corporation	557,424,000 <i>(Note 1)</i>	69.68%
	B&A Success	Beneficial interest	557,424,000	69.68%
Dr. Miu	Our Company	Interest of spouse	557,424,000 <i>(Note 2)</i>	69.98%
Mr. Chiu	Our Company	Interest in a controlled corporation	40,448,000 <i>(Note 3)</i>	5.06%
	Infinite Crystal	Beneficial interest	40,448,000	5.06%

Notes:

- The Shares are registered in the name of B&A Success, the entire issued share capital of which is legally and beneficially owned by Ms. Wong. Under the SFO, Ms. Wong is deemed to be interested in the same number of Shares held by B&A Success.
- Dr. Miu is the spouse of Ms. Wong. Under the SFO, Dr. Miu is deemed to be interested in the same number of Shares deemed to be held by Ms. Wong.
- The Shares are registered in the name of Infinite Crystal, approximately 61.11% of the issued share capital of which is legally and beneficially owned by Mr. Chiu. Under the SFO, Mr. Chiu is deemed to be interested in the same number of Shares deemed to be held by Infinite Crystal.

*(b) Particulars of our Directors' service agreements and letters of appointment**Executive Directors*

Each of our executive Directors entered into a service agreement with our Company on 1 March 2018 for an initial fixed term of three years commencing from the Listing Date and renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. In addition, our executive Directors are subject to retirement at annual general meetings of our Company at least once every three years pursuant to the Articles and the GEM Listing Rules. Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, and such salary is to be reviewed annually by our Board and our Remuneration Committee. Each of our executive Directors is also entitled to such discretionary bonus as our Board and our Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The annual emoluments of our executive Directors are as follows:

Names	Salaries and allowances	Retirement scheme contributions	Total amounts
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Ms. Wong	2,400,000	18,000	2,418,000
Mr. C.S. Chan	816,000	18,000	834,000

Non-executive Directors and independent non-executive Directors

Each of our non-executive Directors and independent non-executive Directors entered into a letter of appointment with our Company on 1 March 2018 for an initial fixed term commencing from the Listing Date and shall continue for a term of one year in the first instance, provided that either party can at any time terminate the appointment by serving the other party not less than one month's notice in writing. The appointment may be extended for such period as each non-executive Director, independent non-executive Director and our Company may agree in writing provided that under the Articles and the GEM Listing Rules, every non-executive Director and independent non-executive Director shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to the letters of appointment, commencing from the Listing Date, the annual directors' fees of our non-executive Directors and independent non-executive Directors are as follows:

<u>Name</u>	<u>Amount</u>
	<i>(HK\$)</i>
<i>Non-executive Directors</i>	
Dr. Miu	120,000
Mr. Chiu	120,000
<i>Independent non-executive Directors</i>	
Mr. Ng Leung Sing <i>SBS, JP</i>	120,000
Mr. Wong Lung Wo James	120,000
Mr. Chan Ping Keung	120,000

Save as aforesaid, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' emoluments

During the Track Record Period, the aggregate of the emoluments (including salaries and allowance) paid and benefits in kind granted by our Group to our Directors for the two years ended 31 March 2017 and the seven months ended 31 October 2017 was approximately HK\$0.7 million, HK\$1.5 million and HK\$0.5 million, respectively. Details of our Directors' remuneration are set out in the Accountants' Report in Appendix I to this prospectus.

Under the arrangements currently in force, our Directors estimate that the aggregate amount of emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2018 to be approximately HK\$1.5 million.

None of our Directors or any past director of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. There had been no arrangement under which a Director had waived or agreed to waive any emolument during the Track Record Period.

Under our policy concerning the remuneration of our Directors, the amount of remuneration will be determined on a case-by-case basis depending on the relevant Director's experience, responsibility, performance and the time devoted to our Group and our business.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long Position in the Shares

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Percentage of shareholding</u>
B&A Success	Beneficial owner	557,424,000	69.68%
Infinite Crystal	Beneficial owner	40,448,000	5.06%
Ms. Lai Wing Sze	Interest of spouse	40,448,000	5.06%
Teresa Francesca		<i>(Note 1)</i>	
Sunstrike Investments Limited	Interest in controlled corporation	40,448,000 <i>(Note 2)</i>	5.06%
Sunfund Asia Capital Holdings Limited	Interest in controlled corporation	40,448,000 <i>(Note 2)</i>	5.06%
Sunfund (Hong Kong) Company Limited	Interest in controlled corporation	40,448,000 <i>(Note 2)</i>	5.06%
Sunfund Investment & Management Co. Ltd.* (耀盛投資管理集團有限公司)	Interest in controlled corporation	40,448,000 <i>(Note 2)</i>	5.06%
Mr. Yuan	Interest in controlled corporation	40,448,000 <i>(Note 2)</i>	5.06%
Ms. Liu	Interest of spouse	40,448,000 <i>(Notes 2 and 3)</i>	5.06%

* *The English name is for identification purpose only.*

Notes:

1. Ms. Lai Wing Sze Teresa Francesca (賴詠詩女士) is the spouse of Mr. Chiu. Under the SFO, Ms. Lai Wing Sze Teresa Francesca is deemed to be interested in the same number of Shares deemed to be held by Mr. Chiu.
2. Infinite Crystal is owned as to approximately 38.89% by Sunstrike Investments Limited. Sunstrike Investments Limited is wholly-owned by Sunfund Asia Capital Holdings Limited, which in turn is wholly-owned by Sunfund (Hong Kong) Company Limited, which in turn is wholly-owned by Sunfund Investment & Management Co. Ltd., which is owned as to 91.33% by Mr. Yuan. Under the SFO, Sunstrike Investments Limited, Sunfund Asia Capital Holdings Limited, Sunfund (Hong Kong) Company Limited, Sunfund Investment & Management Co. Ltd. and Mr. Yuan are all deemed to be interested in the same number of Shares held by Infinite Crystal.
3. Ms. Liu is the spouse of Mr. Yuan. Under the SFO, Ms. Liu is deemed to be interested in the same number of Shares deemed to be held by Mr. Yuan.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any Share or loan capital of any member of our Group.

4. Related party transactions

Details of our related party transactions are set out under note 29 to the Accountants' Report as set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

- (a) none of our Directors and chief executive of our Company had 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 the GEM Listing Rules or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once our Shares are listed;
- (b) none of our Directors and the experts referred to under the paragraph headed "D. Other information – 8. Consents of experts" in this Appendix had any direct or indirect interest in the marketing of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors was materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors had any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme, none of our Directors was aware of any person (not being a Director or chief executive of our Company) who would, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in our 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 be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the paragraph “D. Other information – 8. Consents of experts” in this Appendix had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 1 March 2018.

For the purpose of this section, unless the context otherwise requires:

“Board” means our board of Directors from time to time or a duly authorised committee thereof;

“Eligible Person” means any full-time or part-time employee of our Company or any member of our Group, including any executive director, non-executive director and independent non-executive director, adviser and consultant of our Company or any our subsidiaries;

“Offer Date”	means the date on which an Option is offered to an Eligible Person;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares takes place on GEM.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (e) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1 to our Company by way of consideration for the grant. The Option will be open for acceptance for a period of 28 days from the date on which the Option is offered.

(c) Grant of Option

Our Company may not grant any Option after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Board may not grant any Option to an Eligible Person who is a Director during the periods or times in which our Directors are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(d) Maximum number of options to any one individual

The total number of Shares issued and to be issued upon exercise of the options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of our Shares in issue. Any further grant of Options in excess of such limit (the "**Further Grant**") must be separately approved by Shareholders in general meeting with such Participant and his/her close associates abstaining from voting.

In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options which are the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the Offer Date for the purpose of calculating the relevant subscription price.

(e) *Price of Shares*

The subscription price for our Shares subject to Options will be a price determined by our Board and notified to each Participant (subject to any adjustment made pursuant to the terms of the Share Option Scheme) and shall be the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Trading Day; (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the Offer Date; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the Offer Date, our Shares have been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any day on which trading of securities takes place on the Stock Exchange before the Listing Date falling within such five-day period.

(f) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of our Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that options lapsed in accordance with the terms of the Shares Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 800,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date (assuming the Offer Size Adjustment Option is not exercised).
- (ii) Subject to the approval of our Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of our Shares in issue as at the date of such Shareholders' approval provided that options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to our Shareholders' approval referred to in this sub-paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of our Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to our Shareholders' approval referred to in this sub-paragraph (iii), our Company shall send a circular to its Shareholders

containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of our Shares in issue from time to time.

(g) Time of exercise of Option and performance target

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period. The exercise of an Option may be subject to the achievement of performance target(s) and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(h) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(i) Rights on death

If a Participant dies before exercising the Options in full, his/her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(j) Changes in capital structure

In the event of any alteration in the capital structure of our Company while any Option remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party) or otherwise, such corresponding alterations (if any) shall be made to the number (without fractional entitlements) of Shares subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which are the subject of the Option and the subscription price shall be conditional on our auditors or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued Share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he/she was entitled before such alteration. No such alteration shall be made if it would enable any Share to be issued at less than its nominal value or result in the aggregate amount payable on the exercise of any Option in full being increased. The capacity of our auditors or an independent financial adviser appointed by our Company in this paragraph (j) is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Participants in the absence of manifest error. The costs of our auditors or an independent financial adviser appointed by our Company in so certifying shall be borne by our Company.

(k) Rights on take-over

If a general offer has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his/her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph (k) “acting in concert” shall have the meaning ascribed to it under the Takeovers Code.

(l) Rights on a compromise or arrangement

If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his/her outstanding Option in full or any part thereof specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

(m) Rights on winding-up

In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind-up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants.

Thereupon each Participant shall be entitled to exercise all or any of his/her outstanding Options at any time no later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(n) *Lapse of Option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to sub-paragraphs (q) and (r) below, the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding-up of our Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his/her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph (v) shall be conclusive;
- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him/her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
 - (A) his/her retirement on or after attaining normal retirement age or, with the express consent of our Board in writing for the purpose of this sub-paragraph (vi), at a younger age;
 - (B) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph (vi);

- (C) the company by which he/she is employed and/or of which he/she is a director (if not our Company) ceasing to be a subsidiary of our Company;
- (D) expiry of his/her employment contract or vacation of his/her office with such member of our Group such contract or office is not immediately extended or renewed; or
- (E) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi)(A) to (D),

provided always that in each case described in this sub-paragraph (vi) our Board may at its absolute discretion decide that such Option shall not so lapse and such period of three months shall be extended to such period as it may decide;

- (vii) the expiry of any period referred to in paragraphs (l) and (m) above, provided that in the case of paragraph (l), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective except insofar as exercised; and

- (viii) the date the Participant commits any breach of the provisions of paragraph (h).

(o) *Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to the Articles and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(p) *Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with the available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(q) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted by our Shareholders, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(r) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that (i) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 23 of the GEM Listing Rules; and (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme, shall first be approved by our Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alternative shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

The amended terms of the Scheme or the Options must still comply with the relevant requirements of the GEM Listing Rules.

Any change to the authority of our Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(s) Granting of Options to a Director, chief executive or Substantial Shareholder of our Company or any of their associates

Where Options are proposed to be granted to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to our Substantial Shareholder or our independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the options already granted and to be granted (including exercised, cancelled and outstanding options) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of our Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of our Shares at the Offer Date, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting. The circular must contain the information required under Rule 23.04 of the GEM Listing Rules.

In addition, Shareholders' approval as described above will be required for any change in the terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such Further Grant is to be taken as the Offer Date for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to the independent Shareholders as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive of our Company (as defined in the GEM Listing Rules) set out in this paragraph do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(t) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by our Shareholders; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in our Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in our Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

(u) Administration of the Share Option Scheme

The Share Option Scheme will be administered by our Board whose decision as to all matters arising from or in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties to the Share Option Scheme.

(v) Present status of the Share Option Scheme

As at the Latest Practicable Date, no Option had been granted or agreed to be granted under the Share Option Scheme.

(w) Disclosure in annual and interim reports

Our Company will disclose all information in relation to the Share Option Scheme in our annual and interim reports pursuant to Rule 23.07 of the GEM Listing Rules.

2. Tax and other indemnities

Each of our Controlling Shareholders (the “**Indemnifiers**”) has entered into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being one of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in this Appendix) to jointly and severally agree and undertake to indemnify our Company and the members of our Group and each of them at all times keep the same fully indemnified on demand and hold each of the Company and any member of our Group harmless from and against all or any losses, damages, claims or penalties that our Group may suffer or incur, as a direct or indirect result of:

- (a) the amount of any and all taxation falling on any member of our Group resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued or received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Deed of Indemnity becomes unconditional (the “**Effective Date**”) or any transactions, matters, things, event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (b) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may reasonably incur in connection with:
 - (i) the investigation, assessment or the contesting of any claim under paragraph (a) above;

- (ii) the settlement of any claim under paragraph (a) above;
 - (iii) any legal proceeding in which any member of our Group claims under or in respect of paragraph (a) above and in which judgment is given for any member of our Group; or
 - (iv) the enforcement of any such settlement or judgment;
- (c) any undeclared tax, overdue tax and any other form of tax burden (including tax burden arising from receipt, accumulation or acceptance of income, profit or gain) of any member of our Group on or before the Listing Date;
 - (d) any claim, fine or other form of liability that may arise from breach of any law, regulation and rule by any member of our Group on or before the Listing Date;
 - (e) any work injuries, outstanding litigations (including criminal litigations), claims and non-compliances of any member of our Group on or before the Listing Date;
 - (f) any costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong on or before the Listing Date; and
 - (g) any losses, damages, claims or penalties that any member of our Group may suffer or incur as a result of any outstanding legal proceedings against any member of our Group as they may continue to be subsisting on or before the Listing Date.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation or legal proceeding:

- (a) to the extent that provision has been made for any taxation in the audited consolidated financial statements of our Group or the audited financial statements of any member of our Group for the two years ended 31 March 2017 and the seven months ended 31 October 2017 (the “**Financial Statements**”);
- (b) falling on any member of our Group as a result of any transaction entered into by any member of our Group on or after the Effective Date in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets;
- (c) to the extent that such taxation arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof by the IRD or any other statutory or governmental authority in any part of the world having retrospective effect coming into force on or after the Effective Date or to the extent that such liability arises or is increased by an increase in rates of taxation on or after

the Effective Date with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period);

- (d) to the extent that such taxation is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of the liability; or
- (e) to the extent that any provision or reserve made for such taxation in the Financial Statements referred to in paragraph (a) above is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of such liability shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands, the BVI and Hong Kong is likely to fall on our Group, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

3. Litigation

Neither our Company nor any member of our Group is involved in any litigation, arbitration or administrative proceedings of material importance and, so far as our Directors are aware, no litigation or arbitration or administrative proceedings of material importance is pending or threatened by or against any member of our Group.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Guotai Junan Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$17,000 and were paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Guotai Junan Capital Limited	A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Martin W.H. Wong	Barrister-at-law of Hong Kong
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of the experts referred to in the paragraph headed “D. Other information – 7. Qualifications of experts” of this Appendix has given and has not withdrawn his/its respective written consents to the issue of this prospectus with the inclusion of his/its report and/or letter and/or valuation certificate and/or opinion and/or the references to his/its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) our Group has no outstanding convertible debt security or debenture;
 - (iv) no commission, discount, brokerages or other special term have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred share in our Company or, any of our subsidiaries has been issued or agreed to be issued; and
 - (vi) no commission has been paid or is payable for subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share of our Company or any of our subsidiaries.
- (b) None of the persons named in the paragraph headed “D. Other information – 8. Consents of experts” in this Appendix is interested beneficially or otherwise in any share in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group.
- (c) Save as disclosed in the paragraphs headed “Financial information – Material adverse change” of this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 October 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (e) The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (f) No member of our Group is presently listed on any stock exchange or traded on any trading system.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

11. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and any Share that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor's fees in relation to the Listing are approximately HK\$4.5 million.

12. Bilingual prospectus

Pursuant to the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the English language and Chinese language versions of this prospectus are being published separately. In case of any discrepancies between the English language and Chinese language versions, the English language version shall prevail.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and general information – D. Other information – 8. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and general information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co. at 39/F, Gloucester Tower, The Landmark, 15 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:

- (a) the Memorandum and Articles;
- (b) the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report prepared by BDO Limited in respect of the unaudited pro forma financial information on our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the two years ended 31 March 2017 and the seven months ended 31 October 2017;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the material contracts referred to in the paragraph headed “Statutory and general information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;

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- (h) the service agreements and letters of appointment entered into between our Company and each of our Directors referred to in the paragraph headed “Statutory and general information – C. Further information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of our Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
- (i) the legal opinion issued by the Legal Counsel;
- (j) the Frost & Sullivan Report;
- (k) the written consents referred to in the paragraph headed “Statutory and general information – D. Other information – 8. Consents of experts” in Appendix IV to this prospectus; and
- (l) the rules of the Share Option Scheme.



GRAND BRILLIANCE GROUP HOLDINGS LIMITED
君百延集團控股有限公司